

WORLD NEWS
EUROPE

CORRUPTION ALLEGATIONS GERMAN CHANCELLOR SEEKS TO HEAD OFF VOTE WITH PROPOSALS TO COMBAT EU FRAUD

Schröder backs Commission in censure dispute

By Ralph Atkins in Bonn

Gerhard Schröder, German chancellor, yesterday backed the European Commission in its clash with the European Parliament over corruption allegations and sought to head off a censure vote by European MPs with additional proposals for combating EU fraud.

Speaking after a joint meeting between the Com-

mission and the German cabinet, Mr Schröder voiced alarm that a censure vote by the European Parliament on Thursday could force the Commission's resignation. With Germany holding the EU presidency and embarking on an ambitious reform agenda, he said he needed a "stable" Commission that was "able to act".

The censure moves were triggered when MEPs voted

against signing off the EU's 1998 accounts after allegations of mismanagement and fraud in EU programmes.

Mr Schröder insisted the Commission had investigated "to the extent of its possibilities" allegations against individual commissioners and commission employees. The European Commission had also stepped up the fight against corruption with plans for

a new anti-fraud unit. But the chancellor said that in his talks with Jacques Santer, Commission president, he had discussed how Europe's institutions - including the parliament - could be integrated into the work of the anti-fraud unit and bring anti-corruption procedures under political control. He hoped his suggestions would provide "additional proof" that alle-

gations would be investigated seriously. His suggestions appeared to be aimed at assuaging fears by MEPs that the European Commission would have too great an influence over the planned anti-fraud unit, proposals for which were announced by Brussels in December.

Mr Schröder stopped short of calling publicly for MEPs of his Social Democratic party to back the Commis-

sion. But the chancellor backed MEPs would "look forward" and put the longer term interests of Europe above "irritations" created largely by misunderstandings. He refused to comment on the possibility that individual commissioners could be sacked, but noted that Mr Santer had described the 20-strong team of commissioners as a "unit".

Mr Santer, who added that

the European Court of Auditors could also be given a strengthened role under Mr Schröder's scheme, promised to relay the proposals to the European parliament.

Separately, Mr Schröder reiterated his determination to reach a deal on the so-called "Agenda 2000" package of financial and other reforms under Germany's six-month EU presidency. That would include

crucially, reform of agricultural policy and Mr Schröder admitted German farmers could be left worse off.

"Everyone must be prepared to make compromises," Mr Schröder said. Despite the short time left and the conflicting national interests at stake, Mr Schröder said: "I have become more confident that all the [member] states have an interest in this."

EUROPEAN PARLIAMENT POLITICAL GROUPS SPLIT OVER TACTICS IN ANTI-FRAUD CAMPAIGN □ TIMETABLE UP TO THURSDAY MORNING'S VOTE □ MARIN AND CRESSON TARGETED

MEPs shy away from 'nuclear option' against sleaze

By Neil Buckley in Strasbourg

The corridors and committee rooms of the European Parliament are alive with the sound of multilingual scheming at the best of times. For the next two days, the whippers could grow deafening.

Parliament members - the European Union's directly elected representatives - must decide whether to back either of two censure motions to sack the 20 commissioners who lead the Brussels bureaucracy over

claims of sleaze and mismanagement. This is within their powers, but it requires a hefty "double majority" of at least half of all 626 MEPs, plus two-thirds of votes cast.

Alternatively, MEPs could try to sack individual commissioners. Officially, they have no power to do this. But some - including Wim Kok, Dutch prime minister - have suggested a simple majority vote against any commissioner would be difficult for Brussels, or EU

member states, to ignore. "MEPs are going to be negotiating about this behind closed doors right through to Thursday morning," one parliament official said yesterday.

The timetable, at least, is clear. Political groups have until 4pm today to finalise any resolutions demanding that individual commissioners stand down. One has so far been proposed, by parliament's third-largest group, the European Liberal Democrats, demanding the resig-

nations of commissioners Jean-Marie Marin and Edith Cresson.

Groups have until 11am tomorrow to decide whether they can unite around particular resolutions. Their leaders meet tomorrow afternoon to decide the order for Thursday's 11am vote.

The "nuclear option" of a censure vote against the commission looked unlikely yesterday. Parliament's largest group, the Socialists, with 214 members, and cen-

tre-right European People's party, with 202, were deeply split on the issue. The Liberals have already indicated they prefer to target individuals.

The Socialists are in the stickiest position. Having called the censure motion aiming to use it as a confidence vote and back the Commission, they have watched as the danger has grown that their tactics would backfire.

Parline Green, the socialist leader, announced a high-risk policy shift last week,

suggesting her group might back the censure motion if other groups attempted to sack individuals. "We do not have the institutional right to cherry-pick among commissioners," she told the parliament yesterday.

Other groups saw this as an attempt to frighten them off. But some Socialists said that no matter what the tactics, they could not vote for censure. There are no circumstances that I can foresee at the moment that would have me voting for a

censure," said Lord Tomlinson, a British Labour MEP who has been an active anti-fraud campaigner. He reasoned that many of the allegations against the Commission were unproven.

The 16 French Socialists have demanded that the motion be withdrawn - and have removed their signatures from it - while German Socialists are split down the middle.

A second censure motion, proposed yesterday by the small, anti-integrationist,

Independent Europe of the Nations group, aimed specifically at toppling the Commission, seemed unlikely to win support.

The big question is whether groups can unite around attempts to target individual commissioners. That could be difficult. The Liberals and Greens want to target only two - Mr Marin and Mrs Cresson - while many EPP members agree on the approach of targeting individuals, but not on how many.

Lafontaine retreats from the 'T' word

The notion of target zones for the leading global currencies has irked central bankers. Wolfgang Münchau reports



ECB watch

Oskar Lafontaine, German finance minister, last year provoked an outcry among central bankers when he proposed exchange rate "target zones" for the leading global currencies - arrangements under which exchange rates can fluctuate against each other within previously agreed margins.

But the German government has since been touting down its rhetoric. It appears Mr Lafontaine may now be open to an exchange rate policy that falls short of specific target zones.

Keizo Obuchi, the Japanese prime minister, has also been drumming up support for an exchange rate policy to stabilise the value of the dollar, the euro and the yen.

Mr Obuchi, who yesterday met Gerhard Schröder, German chancellor, did not call for explicit exchange rate target zones either but opted for more nebulous policy "co-ordination". This may sound like semantics, but the debate is as much about

the appropriate form of words as it is about substance.

And where does the European Central Bank stand? Like most other central banks, it rejects explicit target zones as inconsistent with its primary objective of achieving price stability. But this does not mean the ECB is indifferent to the euro's exchange rate.

On the contrary, Wim Duisenberg, president of the ECB, has said repeatedly the bank will not follow a policy of benign neglect. In a recent Financial Times interview he went further, declaring the ECB would not tolerate an exchange rate that would render European industry uncompetitive. He was also concerned about exchange rate volatility between the euro and the dollar.

In other words, the ECB is not going to be a mere spectator if the exchange rate of the euro should gyrate wildly or settle at an extremely high rate. Obuchi, chief economist of the ECB, said the exchange rate was earmarked specifically as one element in a basket of policy indicators that influences the ECB's monetary policy. An overvalued

exchange rate would increase momentum to ease monetary policy, suggesting the ECB does have an exchange rate policy of sorts - even if that does not involve a specific target.

The Maastricht Treaty, specifies two types of possible exchange rate policies: informal arrangements, which require accord from only a qualified majority of EU finance ministers for approval, or formal exchange rate systems, which would require unanimity. The ECB has to be consulted on both occasions.

Only the informal route has any chance of building consensus among central bankers and politicians. The US administration opposes target zones, but may also be open to less stringent policies. Washington has an interest in preventing a collapse in the dollar, which could trigger a protectionist backlash in the coming presidential election campaign.

When finance ministers and central bankers get together to discuss the issue at the Group of Seven meeting on February 20, there may be some room for compromise after all. They just have to avoid the "T" word.

Economic indicators for euro-11 countries

	Nov 1998	Oct 1998	Sep 1998	Aug 1998	Jul 1998	Jun 98	1997	1996
Inflation (annual % change)	0.8	1.0	1.0	1.2	1.4	1.4	1.8	2.2
Unemployment (%)	10.3	10.3	10.3	11.0	11.5	11.3	11.5	11.6
Trade (€ bn)								
Exports	n/a	n/a	86.0	85.0	72.3	70.0	780.8	867.7
Imports	n/a	n/a	80.8	80.5	68.9	61.5	671.4	804.2
Trade balance	n/a	n/a	5.2	4.5	13.5	8.5	86.4	73.5
Current account (€ bn)	02 1998	01 1998	04 1997	03 1997	02 1997			
Current account balance	24.7	12.2	28.8	26.1	24.6			
As % of GDP	1.7	0.9	2.0	1.9	1.7			
Industrial production (%)	Jul-Sep	Jun-Aug	May-Jul	Apr-Jun	1997	1996		
(Q on prev 3 mo)	0.7	0.8	0.9	0.9	4.17	0.07		
GDP growth (%)	03 1998	02 1998	01 1998	04 1997	1997	1996		
Over same quarter last year	2.4	2.5	3.3	3.3	2.5	1.5		
Money supply	Nov 1998	Oct 1998	Sep 1998	Aug 1998	Jul 98			
M3 Annual growth rate (%)	4.5	5.0	4.5	4.5	5.0	5.3		

Source: Eurostat

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Switzerland ponders relations with EU trade partners

Is the recent accord in Vienna a first step towards eventual Union membership or is it the final chapter in the normalisation of trade ties?

William Hall reports

Switzerland is not known for hasty decision-making. It has taken almost five years to hammer out last month's bilateral trade agreement with the European Union and the accord could still be rejected by popular referendum.

The earliest it can come into force is 2001 and some provisions will take another 12 years to implement.

But the initial Swiss euphoria which greeted the agreement at last month's EU summit in Vienna has been replaced by a nagging realisation that the accord has not resolved the central question about Switzerland's relations with Europe.

Does it mark the first step towards eventual membership of the EU, or is it the final chapter in the normalisation of trade relations with its biggest trading partner?

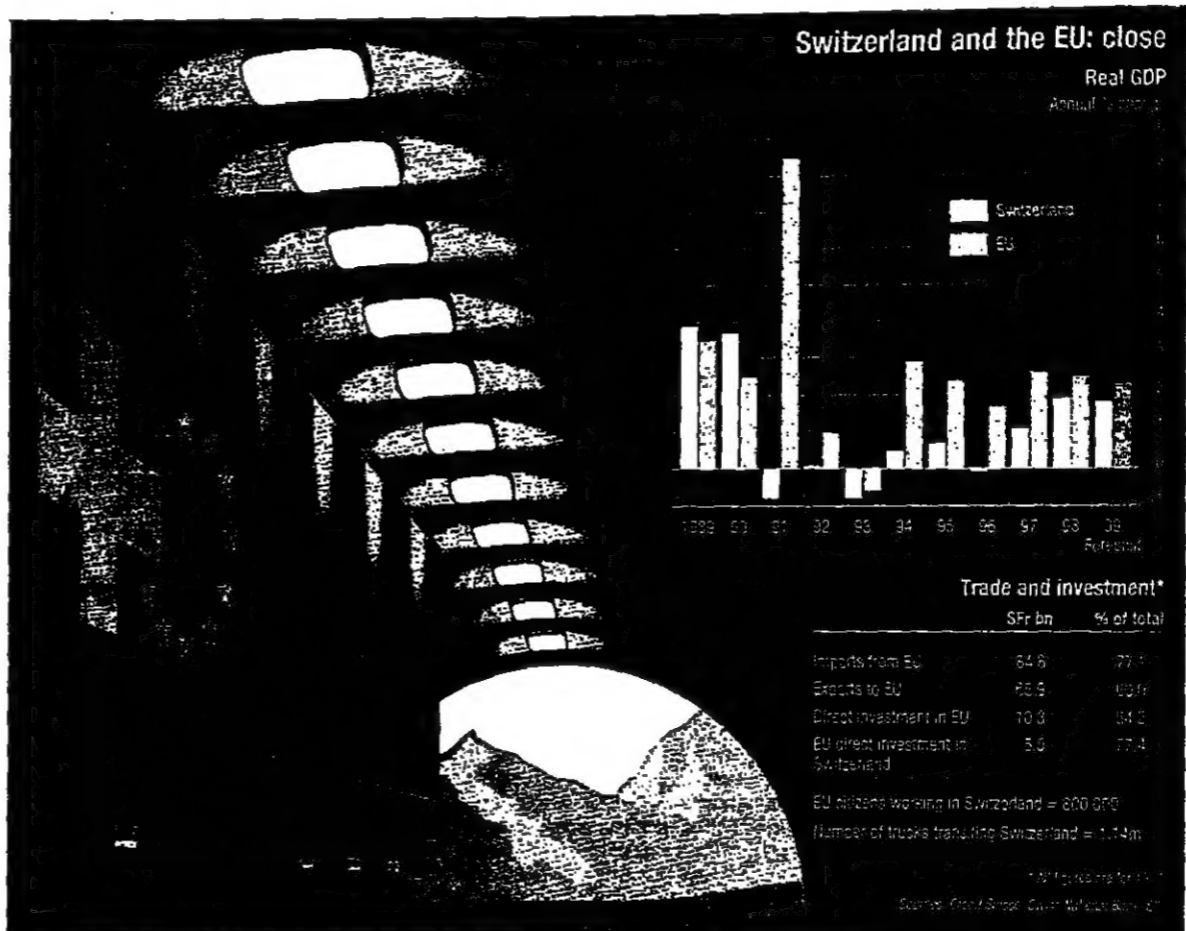
Hans van den Broek, the EU commissioner in charge of the negotiations, has described the accord as an interim step and highlighted Switzerland's dilemma by adding that it was "up to the Swiss to decide what it was a step towards".

Some Swiss ministers would love to play on the wider European political stage. Others are more sceptical given that joining the EU would undermine the more cherished aspects of Swiss direct democracy and - if current conditions prevailed - would result in a doubling of the country's interest rates.

The arrival of the EU's single currency, the euro, is one obvious reason why Switzerland can no longer afford to ignore Europe.

It will increasingly compete with the Swiss franc in domestic payments traffic and, if things go wrong, could trigger huge inflows of hot money which would undermine the country's export competitiveness, which is the main engine of the country's economic growth.

The release of a Swiss government report later this month on the advantages and disadvantages of European integration is



another reason why the debate over Switzerland's future role in Europe will top Switzerland's political agenda in 1999.

The pro-EU and anti-EU lobbies in Switzerland are likely to use its contents to advance their own cases in the run-up to the national elections in October.

Switzerland, a landlocked Alpine state of 7m people, has always profited from being the odd man out in Europe.

It remained neutral during two world wars and has stubbornly refused to join the United Nations, Nato and the EU.

Yet it is more European than most of its neighbours, surrounded by four EU countries - Germany, Austria, France and Italy - and shares their languages. It is the EU's third biggest trading partner and a large part of EU trade between the north and south Europe is funnelled through Switzerland's strategically located Alpine tunnels.

Switzerland adapts an increasing number of its laws to meet EU requirements, without having any say in their formulation, and, as one of the world's richest countries, Switzerland would be a valuable net contributor to the EU budget. But the

country remains split down the middle on the wisdom of joining the EU.

The latest opinion poll on Swiss German TV showed that 51 per cent of the population favoured joining the EU but at the same time the number opposed rose from 37.5 per cent to 42 per cent at the expense of the

LAUNCH OF THE EURO

"don't knows". The Swiss government has long been keen to form closer ties with Europe.

But its proposal to join the European Economic Area (EEA) in 1992 was rejected in a referendum by 50.3 per cent of the Swiss electorate. Ever since then it has been negotiating from a position of weakness as it has tried to claw back some of the benefits of associate EU status from the wreckage of the previous negotiations.

It has had to make more concessions than it would like, particularly in the area of accepting lower trans-Alpine road tolls and the entry of 40-tonne trucks, to win some of the benefits enjoyed by EU members.

Switzerland already has a free trade agreement with

the EU and the latest deal focuses on removing the sorts of non-tariff barriers that lead to delays at border crossings and generate extra paperwork in terms of meeting EU standards and certifications.

Younger Swiss will also have better opportunities to train and work abroad.

"We are no longer boxed in as before," said one senior businessman.

Putting a value on the agreement, which covers seven dossiers - road and air transport, free movement of people, public procurement, research, agriculture and mutual recognition of trade standards, is tricky.

Some have suggested that it will cost Switzerland between SFr550m and SFr650m (\$395m and \$460m) a year through extra contributions in areas such as joining EU research projects.

However, Swissair, the national airline, believes it will save SFr200m a year by removing its competitive disadvantages vis à vis other EU carriers.

Edwin Stamm, president of the Swiss machinery manufacturers' association, estimates that not having free access to EU markets has cost his members about SFr1bn in lost orders.

The Swiss economy, once held up as a European growth model, has stagnated for most of the 1990s, and its weak performance has been partly blamed on Switzerland's isolation from Europe.

According to one estimate the bilateral accord with the EU will raise Swiss economic growth by 0.5 per cent a year which would be a considerable boost given that the Swiss economy is unlikely to grow by more than 1.5 per cent next year.

The immediate priority for the Swiss government is to ensure that the new agreement does not suffer the same humiliating fate as its abortive bid to join the EEA six years ago.

Christoph Blocher, a successful businessman and Switzerland's best-known rightwing politician, is likely to make life difficult for Switzerland's coalition government by emphasising the anti-EU card in his election campaign.

Already 19 per cent of the Swiss population are foreign and the prospect of their numbers being swelled by the latest agreement, plus fears about a resultant avalanche of 40-tonne EU trucks blocking Swiss highways, should provide Mr Blocher with powerful ammunition.

quickly to rejected payments, and to stop entering new payment contracts far enough in advance of the 6pm cut-off to allow time for processing before the system shut down. But several private sector banks said bottlenecks lay more with payments systems operated by national central banks which link to Target.

Fund managers bullish, Page 16

Lafontaine to present 'neutral' budget

LA to free some soldiers

ANKARA POWER VACUUM VETERAN SEEN AS SAFE PAIR OF HANDS

Ecevit confirmed as Turkish PM

Bulent Ecevit, Turkey's veteran leftwing leader, was named yesterday as Turkey's new prime minister with the task of steering the country to April elections which are shaping up as a fight between Islamists and the secularist elite, Reuters reports from Ankara.

Turkey had been without an established government since a conservative-led coalition collapsed last November over corruption allegations. In the power vacuum, friction between religious activists and the secularist army has risen.

President Suleyman Demirel agreed to Mr Ecevit's minority government, expected to win a parliamentary vote of confidence set for Sunday.

The new cabinet is composed of members of his Democratic Left party plus three independents. It is backed in the national assembly by two rival conservative factions.

Leading cabinet members such as Ismail Cem, foreign minister, and Zekeriya Temizel, finance minister, retain their posts in the new government.

Former education minister Mehmet Uygur was promoted to deputy prime minister. Moving him away from the education portfolio was an apparent attempt to placate Moslem traditionalists



Ecevit minority government expected to win a parliamentary vote of confidence on Sunday

MPs who opposed Mr Uygur's attempts to purge teachers and officials suspected of Islamist sympathies.

Mr Ecevit, the number two in the previous government, is a staunch secularist seen by the generals as a safe pair of hands in times of trouble. He is best known abroad as the man who ordered Turkey's 1974 invasion of Cyprus in response to a Greek Cypriot coup.

Mr Ecevit, 73, urged voters on Sunday not to support the Islam-based Virtue party in the election on April 18.

He warned the Islamists not to bring up a dispute over a ban on Islamic-style headscarves in the

run-up to election day.

The Islamists are tipped to do well despite having been forced by the army to relinquish power 18 months ago after winning an election in 1995.

Virtue has dropped much of the religious rhetoric that marked the previous Islamist push for power.

The Islamists have quietly shelved plans for an "Islamic currency" and Moslem defence alliance, and now say they back Turkey's bid to join the European Union.

But the change of tone has not impressed the army, which has staged three coups since 1980. The generals warned at the weekend that Virtue could be outlawed for allegedly threatening democracy and Turkey's secular constitution.

"Our democracy will be strengthened if political formations that will destroy democracy by abolishing secularism are banned," a pamphlet issued by the armed forces said.

The Islamist Welfare party, Virtue's predecessor, was disbanded by the constitutional court last year for sedition after a legal process that lasted more than six months.

Its ageing leader Necmettin Erbakan, Turkey's first Islamist prime minister, was banned from political leadership until 2003.

Lafontaine to present 'neutral' first budget

By Ralph Atkins and Frederick Siddeham in Bonn

Oskar Lafontaine, Germany's finance minister, yesterday acknowledged his first budget, due to be presented to cabinet next week, would be broadly unchanged from plans left by the former government of Helmut Kohl. Against a deteriorating economic background, he had agreed a "relative neutral" revised budget for 1999, Mr Lafontaine said. "That means it will be neither expansionary nor contain elements of a strong consolidation."

His comments came as finance ministry figures on manufacturing orders highlighted Germany's economic slowdown since the end of last year. Overall, orders fell by 1.5 per cent between October and November, while overseas orders were down 2.4 per cent.

Mr Lafontaine said the expected slowdown in economic growth meant strict budget consolidation could not be justified.

But despite his repeated calls for a greater focus on demand-orientated policies in Europe, Mr Lafontaine also resigned back any ambition to expand government spending to stimulate economic activity.

Last week he confirmed the new government would abide by the constitutional requirement that new borrowings do not exceed investment spending.

He is expected to stick broadly to overall 1999 budget plans drawn up by Theo Waigel, the former finance

minister. These envisaged federal spending of DM465.3bn (€238bn, \$402bn), compared with the DM463.4bn Mr Waigel had budgeted for 1998.

Net borrowing would have fallen to DM56.2bn from DM58.4bn last year.

Mr Lafontaine also acknowledged little progress would be made this year in cutting unemployment. He expects a 2 per cent growth this year but most economists believe gross domestic product needs to be rising by about 2.5 per cent for job creation to take off.

Meanwhile, Germany's employers groups have taken to cyberspace in a bid to solve the worsening problem of succession in the small and medium-sized business sector, the Mittelstand, widely seen as the backbone of the country's economy.

In a project supported by the government, the chambers of industry and commerce (DIHT), the federation of crafts industries (ZDH) and the state-owned Deutsche Ausgleichsbank, have launched a web-site marketplace for people wishing to sell their businesses and those wishing to acquire them.

The initiative highlights changes within the largely privately-owned Mittelstand where many of the founding entrepreneurs are now retiring or dying off. In many cases the traditional practice of passing on a business within a family is not an option as the younger generation is unwilling to take on the company.

KLA to free some Serb soldiers

Kosovo Albanian guerrillas, under heavy international pressure and an apparent threat of Yugoslav army retaliation, said yesterday that they would release some of the eight Yugoslav soldiers they were holding, Reuters reports.

"It is unlikely that we will free all of them," Bardhyl Mahmuti, who speaks for the guerrilla Kosovo Liberation Army (KLA) in Europe, told a news conference in Geneva.

"Some, a minimal number, will be freed," he said. Mr Mahmuti said they would be freed probably later yesterday or today. What happened after that, he said, depended on the Yugoslav authorities.

They have threatened to resume an offensive against KLA strongholds if the eight are not quickly released. "We would expect the Serbs to release at least

some Albanians. If they do, we will free more," said Mr Mahmuti.

Monitors from the Organisation for Security and Co-operation in Europe (OSCE) in Kosovo have been working round the clock since Friday trying to persuade the KLA to free the soldiers it captured near the northern town of Kosovska Mitrovica.

They were backed by demands from Nato and Russia.

But prospects for a quick settlement were clouded yesterday by KLA demands that some ethnic Albanians detained in Yugoslav prisons be freed in exchange for the soldiers.

Neither Mr Mahmuti nor a KLA statement carried by Kosovo Albanian media in Pristina, capital of the Albanian-majority province, made clear how many ethnic Albanians it wanted freed.

Unity of French right breaks up

By Robert Graham in Paris

The fragile unity of France's main rightwing parties has been broken by a serious split after they backed different candidates for the presidency of the Rhone-Alpes regional administration.

The split threatens to undermine the loose umbrella organisation, the Alliance, formed last year to bridge the differences between the Gaullist RPR, the centrist UDF and the small group of liberals around former finance minister Alain Madelin.

Political analysts also said yesterday the split risked complicating formation of a single rightwing list for June's elections to the European parliament.

The division emerged over the weekend when the UDF took the unprecedented step of teaming up with the parties of the left to prevent any candidate winning with the support of the racist National Front. Mathematically a rightwing candidate could otherwise only win with Front backing.

As a result Anne-Marie Comptant, the 51 year-old deputy mayor of Lyons, was elected at the third round by 75 votes to 56. Of the votes cast for Ms Comptant, long-time political aide to former French prime minister Raymond Barre, 80 came from the parties backing the leftwing Jospin government, 10 from the UDF and a further five from dissident members of the RPR.

The election followed a decision last December by the council of state which invalidated the presidency of Charles Millon, a former UDF defence minister, because he had allied with the extremist National Front prior to his election. In March 1998, Mr Millon was vilified by the left and right for the deal, but was backed at the time by the bulk of the RPR and UDF councillors in Rhone-Alpes. This led him to form a new national party, The Right.

Mr Millon's failure to secure re-election puts the future of The Right in doubt. But it casts a much bigger cloud over the Alliance umbrella group.

"The centrist UDF has asserted itself but it has done so against its partners and in conformance with its adversaries," observed Mr Madelin yesterday. "We have made a mess of Rhone-Alpes, will we do the same with the European elections?"

The divisions come at a time when President Jacques Chirac is seeking to forge a common front for the European elections. They also complicate the chances of the moderate right to profit from the break-up of the National Front, which accounts for 15 per cent of votes nationwide.

Murder now the fashion in Italy's fashion capital

Soaring crime rate in Milan has prompted Rome to send in extra 800 policemen, writes Paul Betts

After nine murders in the first nine days of the new year, Milan, the Italian capital of finance and fashion, has become the proverbial "city gripped by fear". Milan is suffering an unprecedented crimewave that yesterday prompted Rome to send an additional 800 policemen to patrol the streets of the northern metropolis.

"We won't allow Milan to become like Chicago in the 1930s," said Diego Masi, the undersecretary of state at the interior ministry.

With the city, Italy's richest, gripped by rising popular paranoia - "It's the Wild West without a decent sheriff," the head of a Milan residential association remarked - Massimo d'Alema, the prime minister, is due to chair an emergency meeting in Milan today to take stock of the situation.

After the latest murder on Saturday of a tobaccoist during a hold up, thousands of citizens demonstrated in the streets of the city asking the authorities for quick and effective steps to combat crime.

Sunday, the tenth day of the new year, was the first to pass without a murder, but a passerby was badly injured in a knife attack on a street in the city's Chinese district. Several other people have been injured in gangland shoot-outs, muggings or robberies.

The government in Rome acknowledged yesterday that



Designer Gianfranco Ferré (wearing) who presented his men's collection in Milan on Sunday night, has played down crime fears

Milan, which has averaged between 40 and 45 homicides annually in recent years, was facing a crime emergency. The separatist Northern League mayor of San Gesezio has even proposed closing his small neighbouring town at night to protect its 3,000 residents. Only one of the town's four access roads would stay open, and this would be monitored by voluntary guards.

Many blame the rise in crime on illegal immigrants, especially from Albania and the former Yugoslavia, attracted to the city over the past few years by its wealth.

Gabriele Albertini, Milan's rightwing mayor, said the city had become "the centre of illegal immigration in

Italy, if not of all of Europe". In a newspaper yesterday, Mr Albertini said: "In Milan 300 illegal immigrants arrive every day while a total of 277 were expelled from the country last year. We have 65,000 requests from immigrants applying for legal papers compared with 61,000 in Rome, which has 1m more inhabitants than Milan."

Local politicians, the church, and ordinary citizens acknowledge that not all illegal immigrants are criminals. But along with the Rome authorities they say Milan has now become the target of criminal organisations not just from the old Italian south but also from Albania, Croatia and Russia.

These gangs control the prostitution and drugs racket, as well as the growing army of professional beggars at road intersections. This has led to an alarming rise in gang warfare over territory.

Milan, a demoralised city that has never fully recovered from the impact of the "tangentopoli" or "bribeville" scandals of the early 1990s, had been seeking to polish its image and revive its status as an important European financial centre in the age of the euro.

It now also claims to be the world fashion capital. But the crimewave has even upstaged the current annual men's fashion shows. Nicola Trussardi, the fashion designer, said he was consid-

ering designing bullet proof waistcoats.

A year ago, Milan invited Rudolph Giuliani, the tough mayor of New York credited with dramatically cutting crime in the "Big Apple", to advise it on crime control. Mr Giuliani did not come but gave an interview yesterday to Milan's Corriere della Sera suggesting the city adopt his "zero tolerance" approach.

Not everybody is gripped by fear. Gianfranco Ferré, another fashion designer, sought to play down local hysteria. The rise in crime, he said, reflected Milan's coming of age as "Italy's most European city", a melting pot of nationalities, races and religions.

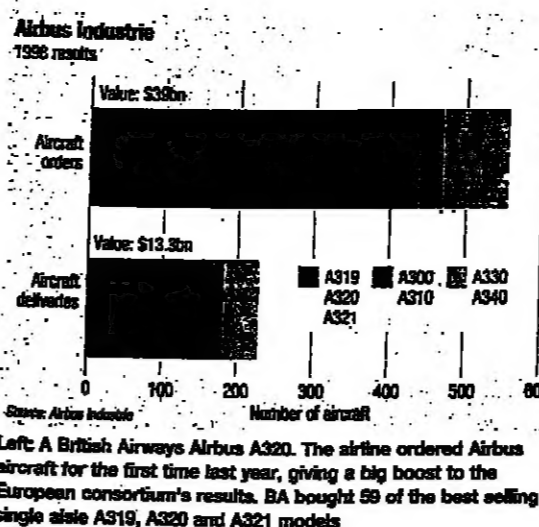
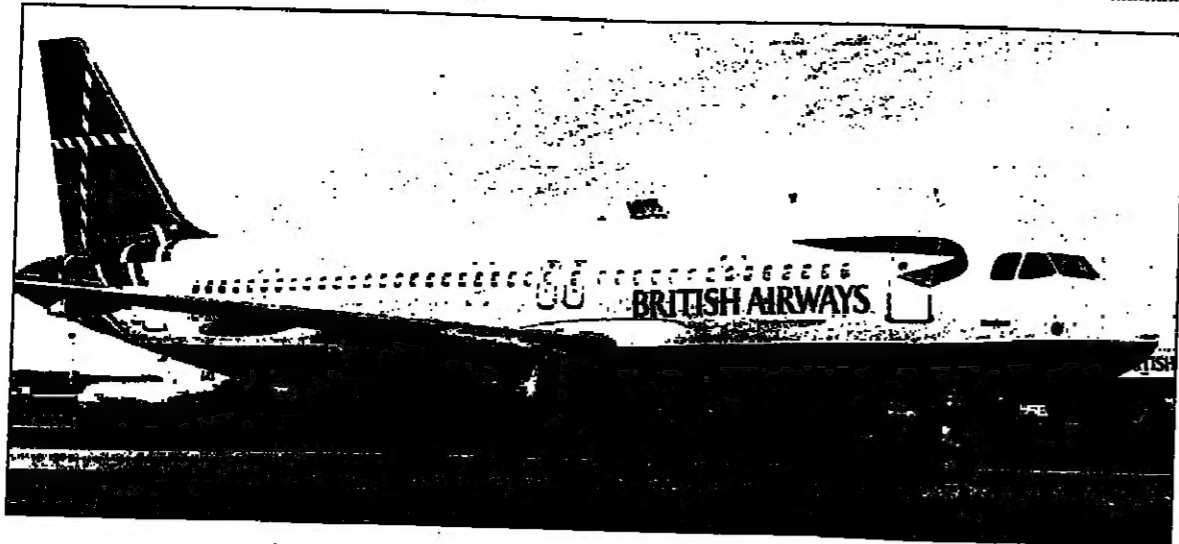
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AIRCRAFT PRODUCTION EUROPEAN CONSORTIUM WON 556 ORDERS LAST YEAR BUT STILL TRAILED US RIVAL

Airbus's record year fails to match Boeing's

By Michael Stapleton in London and David Owen in Paris

Airbus Industrie, the European aircraft consortium, yesterday announced record orders for 1998 but still finished behind its rival, Boeing of the US.

Airbus said it took 556 firm orders last year, an increase of 20 per cent on 1997. The orders, valued at \$38bn, included sales to traditional Boeing customers such as a consortium of Latin American airlines and

British Airways, which last year ordered Airbus aircraft for the first time. However, Boeing announced on Friday that it had won orders for 666 aircraft in 1998.

Airbus, which is owned by Aerospaciale of France, DaimlerChrysler Aerospace of Germany, British Aerospace and Cessna of Spain, had hoped to win more orders than Boeing - something it first achieved in 1994.

However, Noël Forgeard, Airbus's chief executive, said last year he would prefer to

concentrate on profitability rather than on market share. The consortium is a confederation of manufacturers which makes no profits or losses in its own right. Its owners plan to turn it into a limited company which will have to cut costs and maximise the price at which it sells aircraft.

The Airbus partners had hoped to turn it into a limited company this year but this is now unlikely to happen until 2000.

Boeing also said it would now concentrate on achieving healthy profit margins rather than market share and both manufacturers increased their prices. This prompted investigations by the US Federal Trade Commission and by the European Commission. Neither body has yet announced the results of their inquiries.

Mr Forgeard said yesterday that Boeing and Airbus had come out "about level" last year. He said he was happy that 1998 had enabled the consortium to achieve its objective of remaining on

approximately equal terms with its main competitor.

Most of Airbus's orders last year were in the single-aisle category. The consortium sold 427 of its A320 family of aircraft, which competes with the Boeing 737.

Airbus said the financial crisis in Asia had little effect on its business. Asian airlines had cancelled orders for 14 single-aisle aircraft but these had all been allocated to other carriers. John Leahy, Airbus's commercial senior vice-president, said he

would not be surprised to see some orders from Asia by the end of the year.

Airbus said, however, it expected orders to fall during 1999. This would not affect the next two years' production as Airbus had an order book of 1,309 aircraft.

The consortium said it expected to produce 290 aircraft this year and 317 in 2000, compared with 229 last year. The aircraft delivered last year had a total sales price of \$13.3bn, compared with \$11.6bn in 1997.

Koreans cut steel exports to stave off clash with US

By John Burton in Seoul

South Korea's Pohang Iron & Steel (Posco), the world's second largest steelmaker, yesterday said it would reduce exports by more than 5 per cent this year to avoid possible trade conflict with the US.

The decision comes as US steelmakers are demanding that Washington impose quotas on steel imports, which grew by 30 per cent in the first 10 months of 1998.

But the growth of US imports of Korean steel was far higher at 86 per cent, a result of the sharp depreciation of the Korean currency, the won, against the US dollar last year.

Posco said it had exported 7.5m tonnes of steel in 1998, but expected to reduce this amount by at least 350,000 tonnes for 1999 because of a likely economic slowdown in the US, Japan and China, its biggest overseas markets.

The cut in exports also reflects a decision by Posco to reduce 1999 steel production by 1m tonnes, or 4 per cent, to 24.3 tonnes to prevent a fall in steel prices caused by overcapacity.

Posco said stronger demand from Korean carmakers and shipbuilders would help compensate for the export cut as the domestic economy recovers, although it predicts its total sales for 1999 will fall by 5

per cent to Won10,800bn (\$9bn).

Dongkuk Steel, another main Korean steelmaker, is also considering reducing exports, which amounted to 1m tonnes last year, to its main overseas markets which include the US, the Middle East and south-east Asia.

Posco has been criticised by US steelmakers for allegedly receiving low-interest loans and subsidies from the Korean government, which holds a 21.6 per cent stake in the company through the state-run Korea Development Bank.

But Seoul said it planned to fully privatise Posco this year following the successful sale of a 5.1 per cent stake last month through a \$300m offer of American Depositary Receipts in New York.

US steelmakers have also alleged government financial support for Hanbo Steel, Korea's second largest steelmaker, which went bankrupt two years ago and has been kept in operation through loans from state-controlled banks. Seoul plans to sell Hanbo this year, possibly to a foreign buyer.

In an effort to avoid trade friction, Korea will shortly send officials from the industry ministry and steel companies to Washington to explain its efforts to cut exports and sever state links to steelmakers.

Are you prepared to do business in the future?

Young upstarts ready to topple King Maruti

Amy Louise Kazmin on the challenge to India's dominant car manufacturer

Car dealer Raj Chopra sits in his marble-floored office, rubbing his eyes and forehead. As India's largest Maruti dealer, he has plenty of cause for concern.

During the 1997-98 financial year, his three New Delhi dealerships sold 13,916 Maruti vehicles, 80 per cent of which were tiny Maruti 800s and its more upmarket small car, the Zen.

But this financial year, with just three months left to go, sales have dropped to just 7,630 vehicles. Even Mr Chopra's gloomy goal of selling 10,000 cars by the March year-end now seems a long shot.

Future prospects are even more uncertain. For the last 15 years, Maruti, a 50-50 joint venture between the Indian government and Suzuki of Japan, was the unrivalled king of the roads - the Maruti 800 and Zen have been practically the only option for Indian customers seeking small, affordable cars. But Maruti's comfortable dominance of India's small car market has run its course.

In recent months, Korean companies Daewoo and Hyundai, and India's own Tata Engineering and Locomotive Co. (TELCO), have all launched models to rival the 800 and Zen.

Maruti, just finishing a factory expansion that will increase its annual capacity by 100,000 cars, now faces the challenge of retaining customer interest in a sluggish, highly competitive market.

That could be tough, since Maruti has been selling the 800 for more than a decade, and the Zen since 1989. Plans to develop and introduce new models were delayed by a bitter feud between Suzuki and the Indian government over the appointment of the new managing director.

Though the partners have now resolved their differences, no new models are likely to be brought in before the end of next year. "They desperately need all new vehicles," says Hormazd Sorabjee, editor of Auto India. "Otherwise, they might be playing football in their new plant."

Maruti officials believe their cars still hold appeal. With competition fiercest at the upper end of the small car sector, their hopes are resting on the 800's unbeatable low price - and well-established reputation - to woo price-sensitive, conservative, first-time car buyers

at the bottom of the market. The potential is huge. India's roads are traversed by 28m motorcycles and scooters, and some 3.2m new two-wheelers are bought every year. Their drivers are all seen as aspiring car owners, who would upgrade if the price was right.

In a clear effort to tap into that demand, Maruti, at the end of December, slashed the price of the 800 by 12 per cent to Rs184,995 (\$4,333). The company is also rapidly expanding its dealer network, particularly in small towns where company officials say sales are brisk.

Today, Maruti has 187 dealers around India, up from 55 dealers three years ago.

Meanwhile, television advertisements emphasise the car's reliability and the ease of getting repairs - even in remote corners of the country, with more than 1,340 service stations. "Maruti is tried, tested and trusted," says Jagdish Khosla, Maruti's joint managing director. He adds: "We are going to retain our volumes."

Industry analysts aren't so sure. While Maruti may retain an edge in rural areas due to better distribution, things will be tougher in India's big cities. Many urban dwellers want cars that will stand out from the mass of Marutis already on the road.

With its snazzy Italian body design, the Indica, touted as the first indigenous produced Indian car, is seen as greatest potential threat. "If TELCO can prove they are reliable and generally trouble-free, they will be very successful," says Mr Sorabjee. "It's a question of more status."

Priced at Rs259,000 (\$6,094), the Indica is also far roomier than the 800 or the more expensive Zen.

Its diesel version, priced at \$5,705, may be an even bigger hit, since it will allow customers to take advantage of cheap diesel. Even Hyundai's Santro, widely derided for its rather awkward appearance, seems to be catching on, with 3,500 cars sold in the first two months.

All of this is enough to give Mr Chopra a headache. He knows that Indian car buyers are inherently conservative, reluctant to try unfamiliar brands, and may stick with Maruti for a while as a safe choice. But as the new cars prove themselves, even that advantage may be lost.

Microsoft's chance to fight back

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Koreans cut
steel exports
to stave off
clash with US

WHITE HOUSE EACH AND EVERY MATERIAL ALLEGATION DENIED

Clinton denial sets stage for bitter trial



By Deborah McGregor
in Washington

The White House officially notified the Senate yesterday that President Bill Clinton denied the charges against him in the Monica Lewinsky case, setting the stage for a Senate impeachment trial to begin in an atmosphere of tense confrontation.

In a 13-page legal brief responding to the Senate's formal summons of Mr Clinton, presidential lawyers stated: "The charges in the two articles of impeachment do not permit the conviction and removal from office of a duly elected president."

The White House also signalled it would not seek a motion to dismiss the

charges at the outset of the trial. But it would probably do so after both sides had had a chance to present their positions.

The delay appeared to be mainly in deference to Democratic lawmakers who wished to see the trial open in a spirit of bipartisanship.

The legal summation contained no new information about the case, instead emphasizing that Mr Clinton denied "each and every material allegation" in the articles of impeachment.

Mr Clinton's plea of "not guilty" came as no surprise and is consistent with his declarations that he did not commit perjury or obstruct justice.

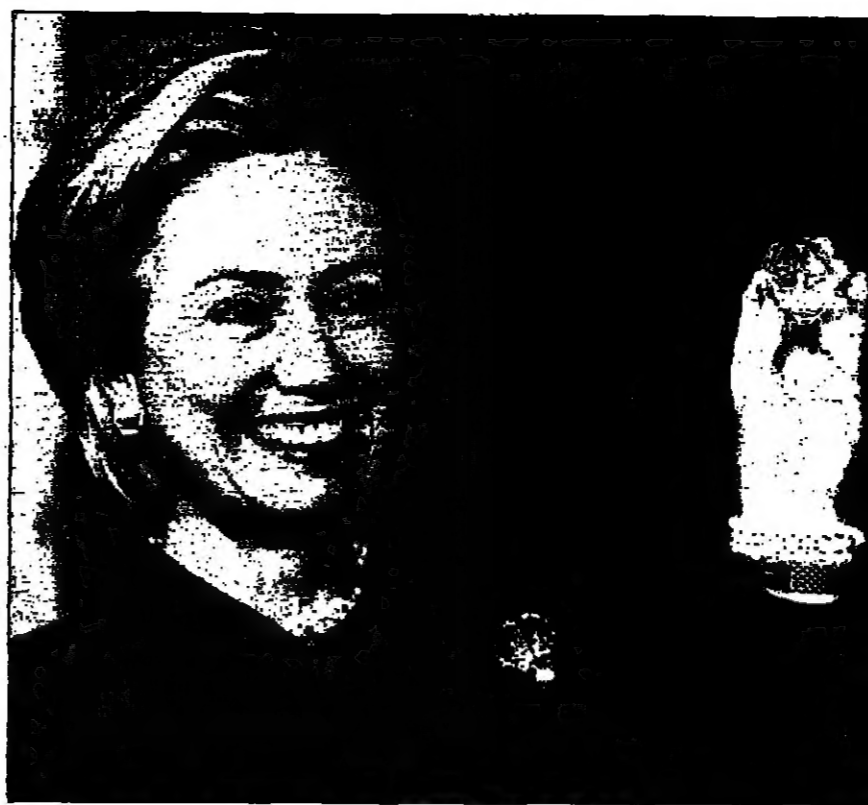
Meanwhile, the 13 House "managers" who will act as prosecutors in the case were rehearsing their presentations yesterday. Henry Hyde, the chairman of the House Judiciary Committee, said he and the other committee

members wanted to make sure that their opening statements were "coherent and comprehensive" when the Senate trial got under way on Thursday.

Mr Hyde, a 74-year-old with a stooped, white-haired appearance, is likely to be a dominant figure in the House presentation, particularly in closing statements. A veteran legislator, Mr Hyde has at times bridled - usually in good humour - at the Senate's insistence on directing the trial with as little interference as possible.

"They're very sensitive about the lowly House telling them anything, so I bow and scrape accordingly," Mr Hyde said during the recent inter-chamber wrangling over impeachment proceedings.

The House team will have 24 hours, expected to be spread over three days, to make its case. The White



Hillary Clinton putting on the bravest of faces in Washington yesterday

House will then begin its presentation.

If the schedule is maintained, President Clinton's lawyers are poised to open their case on January 19 - just a few hours before

Mr Clinton is set to deliver the State of the Union address to a joint session of Congress.

Both Democrat and Republican senators have called for Mr Clinton to postpone

the speech, arguing that it would be embarrassing for the president to address Congress while he was on trial before the Senate. But Mr Clinton has resisted all such suggestions.

Killings may foil Colombia peace talks

By Adam Thomson in Bogotá

Colombia's rightwing paramilitary groups have killed more than 100 people in a renewed wave of violence after a unilateral ceasefire during the Christmas period. The attacks are likely to make the country's peace talks more difficult to conclude, although the perpetrators are not part of the peace process.

The massacres, carried out in six provinces over the last four days, are thought to be a direct response to an attack perpetrated by leftwing guerrillas on a paramilitary camp on December 28 which left at least 16 dead.

In an interview on Sunday with the local daily newspaper *El Tiempo*, Carlos Castaño, leader of United Self Defence Group of Colombia, the paramilitary organisation, said the string of massacres had targeted guerrilla collaborators, denying the victims were innocent civilians.

However, eye-witness reports describe how heavily armed paramilitary units rounded up rural communities and picked their victims at random.

On Sunday, while residents of the rural settlement of San Pablo in the northern province of Bolívar were burying 14 people massacred on Friday, paramilitary groups carried out new massacres in three separate provinces in which at least 45 people died.

According to General Alfredo Salgado, operational director of the National Police, the death toll as of Sunday night was 106. Unofficial reports say the figure could be as high as 123.

Concern is now growing that the paramilitaries' latest reprisals may have the additional aim of thwarting peace talks between the government and the largest of Colombia's leftwing guerrilla groups, Revolutionary Armed Forces of Colombia (Farc). The talks, which began last Thursday, are the first in seven years.

Paramilitary groups, which have grown in recent years as a response to the guerrilla threat, have long clamoured for recognition as a legitimate political voice, but this has been largely ignored.

Farc guerrillas were recently awarded political status by President Andrés Pastrana's government to facilitate dialogue with the rebels. As talks between the two sides begin to explore a peaceful solution to more than 35 years of armed conflict, the paramilitary violence could become a sticking point.

On Sunday, Raúl Reyes, one of the Farc's official spokesmen, admitted the paramilitary phenomenon "is an obstacle for the peace process". Leftwing guerrillas have repeatedly accused Colombian governments of helping create the paramilitary groups.

Safety authorities seek check on US MD-11 jet fleet

By Edward Aiden in Toronto

US transportation safety authorities are recommending that the US fleet of McDonnell Douglas-11 aircraft be inspected for possible wiring flaws following conclusions reached by safety inspectors examining last year's crash of Swissair Flight 111.

In a recommendation

issued yesterday, the National Transportation Safety Board urged the US Federal Aviation Administration (FAA) to require inspections of all MD-11 aircraft for loose wire connections, inconsistent routings, broken wires or other damage near the cockpit.

Swissair Flight 111 crashed last September near Peggy's Cove, Nova Scotia, killing all

229 passengers and crew.

The investigation has focused on the theory that an electrical fire may have started in the cockpit area.

In a letter released yesterday, the Transportation Safety Board of Canada (TSB) said its investigation had found several wires displaying different degrees of heat damage, as well as evidence of electrical arcing,

which can result from the breakdown of wire insulation.

Some of those wires belonged to an electrical system unique to an entertainment system installed by Swissair, but other wires are common to the entire MD-11 fleet. Swissair has already voluntarily disconnected that system in its fleet of MD-11 aircraft.

TSB investigators also visited two MD-11 maintenance facilities and said they found several anomalies on the aircraft investigated.

These, they claimed, included evidence of chafed or otherwise damaged wires, inconsistent routings and some set-ups that did not meet manufacturers' specifications.

Those concerns were

relayed to US authorities last month and to Boeing, the aircraft's maker, leading the FAA to require a one-time inspection of some of the forward wiring on the MD-11 fleet.

The FAA said yesterday that it was also planning to issue very shortly new rules to address the wiring concerns raised by the Swissair crash.

Microsoft gets chance to fight back

Software group launches defence against charges that it abused its market share

By Richard Wolfe
in Washington

For the most highly valued company on the US stock market, the last two and a half months - spent in a windowless Washington courtroom - have been an unusually uncomfortable experience.

Microsoft, the world's largest software company, has appeared frustrated and often exasperated by the litany of allegations from the US government and 19 states, which accuse it of illegally abusing its market power over a broad swath of the computer industry.

The company's executives and attorneys have seemed at times unprepared for the public onslaught, frequently accusing the media - and even the court itself - of being prejudiced against it.

In particular they have complained bitterly about the criticism of Bill Gates, Microsoft's founder and chief executive. Mr Gates has appeared on videotaped interviews as an evasive and obstructive witness.

Today Microsoft's deep sense of personal grievance should dissipate as the company launches its defence case through a series of 12 witnesses. For Microsoft, the witnesses represent its first chance to argue its case beyond the daily press conferences on the steps of the courthouse.

Its defence will centre on a mountain of internal e-mails and memos that the US Justice Department sees as its most persuasive evidence that Microsoft has violated antitrust laws.

The senior Microsoft executives who wrote and received the offending e-mails will attempt to set the documents in context, in an effort to convince Judge Thomas Jackson that they amount to little more than evidence of vigorous and healthy competition.

The foundation of the defence case is that Microsoft needs to act aggressively towards potential rivals because it believes that its market power could disappear at any time. Windows, its best selling operating software, may have a 90 per cent share of the personal computer market, but Microsoft argues that it faces competition from new technology and future rivals.

One executive said: "The government thinks it has shown a lot of bad e-mails and anti-competitive behav-

iour, but in fact they show us as pro-competitive, trying to compete by improving our products. They say we cannot use one product to try to help our other products, but many companies have come to ask us to do just that."

Microsoft will portray its controversial strategy towards internet software in that light. At the heart of the government's case is Microsoft's attack on Netscape Communications, the internet software pioneer. The government alleges Microsoft attempted to carve up the internet software market in 1995 with Netscape, and then sought to destroy its rival when it refused to take part.

The defence witnesses will first accuse Netscape of fabricating the claim of a market carve-up. However, their more substantial argument will be that Microsoft's aim was not to destroy Netscape, but simply to improve its core product, Windows. Microsoft will argue that it sought to advance technology by distributing its internet software free of charge and then integrating it closely with Windows.

"By improving Windows we sell more Windows," said one executive.

Microsoft's case will begin with more than 400 pages of testimony from its economics expert witness, Richard Schmalensee, dean of the Sloan School of Management at the Massachusetts Institute of Technology.

The company claims Mr Schmalensee has gathered new economic data to prove that the company does not - and cannot - behave like a monopoly because of potential competition from new technology such as handheld computers.

However, the most critical witnesses will be the senior Microsoft executives who have managed its competitive strategy towards software rivals and computer makers. The company especially points to its support for independent software developers as evidence of its commitment to competition in the industry.

One Microsoft source close to the company's legal team said: "If we were so convinced that they had to do what we wanted, why would we spend \$800m on it? We are scared of competition and we have to fight to make sure we are doing enough for our developers to recognise the benefits of our technology."

Chávez signals further policy shift

By Raymond Collitt in Caracas

Hugo Chávez, the former coup leader who won Venezuela's presidential elections last year with a populist economic programme, has given further signals that he may adopt orthodox policies more to the liking of investors.

Mr Chávez, who takes office on February 2, said over the weekend that Maritza Izaguirre, the current finance minister, would continue in her post.

"It's a positive sign. She is known to the markets and has experience in negotiating with political parties and multinational lending agencies," said Boris Molina, an analyst with Santander Investment in Caracas.

Mrs Izaguirre underscored her commitment to fiscal discipline yesterday. She said the 1999 budget would have to be cut in line with a more conservative estimate of oil revenue. One of her priorities would be to strengthen the government's non-oil revenues.

The Chávez government faces a budget deficit estimated at 8 per cent of gross domestic product, as well as a deep-seated recession and rising unemployment.

In a further indication that Mr Chávez may avoid interventionist policies, his economic advisers endorsed a recent electricity rate increase for this year. The move could pave the way to continue the sale of selected power sector assets.

Mr Chávez has also pledged to respect the contracts of multinational oil companies operating in Venezuela, although he suggested he would redirect funds from PDVSA, the state oil company, to promote growth in non-oil sectors.

Concerns remain, however, whether Mrs Izaguirre would have the authority and leadership to tackle the country's daunting economic problems. "The economic cabinet requires a strong leader and it is not clear what power Chávez will give her," said Mr Molina.

Robert Gay, chief strategist with Bankers Trust Alex Brown, the investment bank, said: "Chávez has been making the right noises but there is still that lingering doubt whether he is really committed to open market reform and transparency."

Mrs Izaguirre was appointed last July after a career with the World Bank, International Monetary Fund and the Inter-American Development Bank.

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A NEW PERSPECTIVE

ASIA-PACIFIC

Bankers hopeful Asia crisis has bottomed out

By Louise Lucas in Hong Kong

Central bankers meeting in Hong Kong yesterday expressed optimism that the Asian financial crisis had bottomed out and that economies would start to pick up.

"The discussion implied that the crisis was now on the mend," said Andrew Crockett, general manager of the Bank for International Settlements, which hosted

yesterday's meeting of 17 central bankers from the US, Europe and Asia.

"It will be a long process to restore full financial health, but I sensed a degree of optimism that the worst had now happened and the financial situation had now improved." This would pave the way for economic recovery.

Dai Xianglong, governor of the People's Bank of China, heartened the gathering by

outlining the mainland's robust growth target of 7 per cent. In spite of the collapse of Guangdong International Trust & Investment Corp, the investment agency flagship of the wealthy southern Guangdong province, Mr Dai did not see any constraints on adequate credit.

However, individual central bankers had less cause for cheer. Alan Greenspan, chairman of the

US Federal Reserve, said growth in the US would ease moderately, although would still be satisfactory, according to Mr Crockett.

Mr Crockett also relayed the sentiments of Masaru Hayami, governor of the Bank of Japan, who told his peers that the Japanese economy would grow this year, albeit modestly.

The central bankers met to discuss a range of issues,

including the restructuring of Asian banks and the handling of a weakened banking system. Hedge funds also leapt on to the agenda - a subject of great interest to Asian central bankers, who believe the hedge funds were partially responsible for the regional crisis.

"I think there's now a clearer understanding of the role of hedge funds, and the degree of responsibility that

they have for the volatility that happened over the last year or two," said Mr Crockett.

But ways of bringing hedge funds to heel proved elusive for the assembled central bankers. Greater transparency would be hard to impose on the non-regulated hedge funds, Mr Crockett said, adding that different operating environments - from big, deep markets to smaller and

more illiquid ones, or from those with fixed exchange rates to floating currencies - also created difficulties in regulation. Moreover, some are offshore entities.

"Obviously transparency is important in making markets work more effectively and in creating a level playing field, so there was no dispute that more disclosure and transparency would be helpful," he said.

Soldiers held over Indonesia killings

By Sander Thomas in Jakarta

Indonesia's military yesterday arrested 30 soldiers in the restive province of Aceh, in an attempt to defuse tension in the country's most explosive hot spot.

Johnny Wahab, military commander in Lhokseumawe region, said soldiers apparently responsible for the death in detention of four civilians over the weekend would be court-martialled before the end of the month.

"I cannot justify what happened on Saturday," he said, referring to reports that four out of 40 arrested Acehese, suspected of supporting a secessionist movement, had been tortured or beaten to death after they were detained. A human rights activist said another three were missing and 28 were wounded.

Soldiers killed at least 11 civilians, by some counts 17, during clashes earlier this month. Acehese villagers supportive of a small rebel movement kidnapped and killed seven soldiers last December, sparking a military crackdown that in turn led villagers to run amok.

The escalation in Aceh, the westernmost tip of Sumatra island, comes amid a new spate of isolated riots across Indonesia that has raised fears of worse to come when the Muslim fasting month of Ramadan, usually a time of moderation and prayer, ends next week. Riots targeting the ethnic Chinese minority spread across Indonesia last February.

Many Indonesians are borrowing or spending their last savings to celebrate the end of fasting, pushing up food prices, and the resulting hardship is bound to fuel frustration with the unresolved economic crisis.

Australia hosts Hollywood and worries it may be swamped

Lisa Murray finds the coming of big league production companies is creating unease

The latest star on the international film production stage is Australia, dubbed rather disparagingly as "Hollywood Down Under". The term refers to the country's growing popularity as a cheap and increasingly well equipped destination for large American film productions.

The prime beneficiary so far has been Rupert Murdoch, head of the News Corp empire which owns Australia's largest and most modern film facility, Fox Studios in Sydney.

Mr Murdoch's latest call-to-arms is the sequel to *Mission Impossible*, the 1997 blockbuster starring Tom Cruise.

Filming on *Mission Impossible II*, which will also star Mr Cruise, is set to start early this year, with the production team aiming for a Christmas release.

Among other big names signed up by Fox Studios in recent months was George Lucas, the US film maker. Mr Lucas announced late last year that he would produce two episodes of his *Star Wars* series at Fox in Australia. The decision shocked some local critics and delighted others, who hailed

it as a new era for the local film industry.

It horrified some in the UK film industry. The first *Star Wars* episode - number four in the new numeration - was filmed in the UK, with Mr Lucas claiming the project "revived" the British film industry.

Among local critics, some Australian film makers warned such projects could accelerate a trend they claim is transforming Australia into a cheap offshore location for Hollywood producers. Ultimately, a foreign invasion could kill off local industry, they said.

Mr Lucas, who directed the original *Star Wars*, and Rick McCallum, the film's producer, said their choice of Australia was partly based on the "incredible pool of talent" available locally. The agreeable weather, low costs and even more agreeable exchange rates were further incentives.

Fox Studios is just the latest player to enter Australia's growing film production industry. Queensland's Warner-Roadshow studios, the country's first purpose-built studio complex, celebrated its 10th anniversary this year with a record of more than \$630m (US\$400m) worth of feature film and TV series productions. Michael Lake, managing director, said the studios had generated export earnings of nearly \$500m.

Paramount studios is set

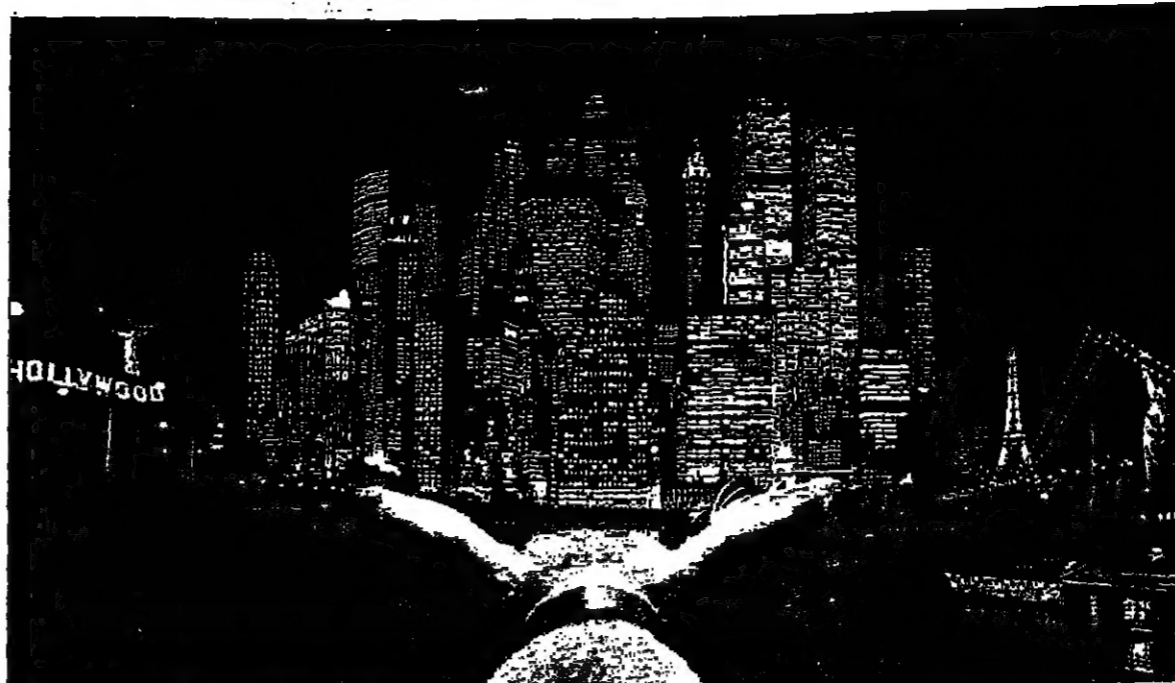
to be a future competitor for Fox and Warner-Roadshow. Viacom, the studio's parent company, is part of a consortium planning an entertainment complex, including studios, in a \$250m development in Melbourne's Docklands, to be open by 2002.

But it was the Fox Studios opening in May last year, and its instant stream of big productions, which rocked the foundations of a traditionally protected and insular industry. Critics questioned what the arrival of "big bad Fox" would mean for Australian film.

Many warned the arrival of the big US studios signalled the "Americanisation" of Australian film. Kim Williams, chief executive of Fox Studios Australia, insists the trend "can only be healthy" for local industry.

The studios will generate serious investment in Australian film and the opportunity for local film makers to play on a bigger stage, he says.

Among local film makers, however, one main concern is the divisive effect the big studios could have on the industry, putting the bigger budget films into a completely different league to smaller budget productions, which tend to compensate for lack of resources with greater creative input. The fear is the two tracks will develop into distinctly different film making cultures



Pig in movie land city. *Babe: Pig in the City* has been a big earner for Australia's film industry

which would be too difficult to reconcile.

The total value of Australian feature films and independent TV drama produced in the year to June reached a record high of \$421m, according to the Australian Film Commission.

Of the 38 Australian films, *The Matrix* and *Babe: Pig in the City* accounted for more than half the combined budget. The rest averaged under \$5m each. The danger, said critics, is that rather than encouraging local product, Fox Studios would have a discouraging effect.

Mr Williams dismissed the notion of two industries as a "conspiracy theory". "People need to look beyond Australian films and the fortress

mentality that has governed our creative life over the last 25 years... and recognise that this is another stage in the growth and outreach of Australian film..."

In the past, high public funding for the Australian film industry has allowed film makers to develop a distinctive, creative style with a strong indigenous bent. In the process, they have covered a broad range of subjects from diverse perspectives, seen in internationally successful films such as *Priscilla: Queen of the Desert*, *Muriel's Wedding*, and *Shine*, as well as the more traditional Aussie *Crocodile Dundee* films.

Of the recent successes, *The Castle*, a comically

parochial view of Australian life shot in six weeks with a budget of just \$700,000, has since grossed \$10.5m at the box office. "Shine", about pianist David Helfgott, received seven Academy Award nominations and achieved international box office takings of \$120m.

Sharon Connolly, chief executive of Film Australia, a government-owned production house, said successive governments had recognised "because we are English-speaking but a small nation, that to preserve some sort of culture and integrity and to build a good solid industry you need to provide subsidy of quite considerable amounts".

But the reality of a global

economy is catching up with local industry and big studios are irrevocably changing the shape of film production.

Industry executives predict this year will show an increasingly commercial influence in Australian film. Planned projects are moving toward more mainstream themes, including romantic comedies in the vein of *Crocodile Dundee*, *Dear Claudia*, with Bryan Brown and *Paperback Hero* with Claudia Karvan.

With Tom Cruise and Luke Skywalker on their way into town, Australian film makers will have little choice but to address the issue of reconciling the "big" with the "small."

Anwar greets successor's appointment

By Sheila McNulty in Kuala Lumpur

Anwar Ibrahim, the former Malaysian deputy prime minister who was jailed and beaten after being sacked, yesterday welcomed the appointment of Abdullah Ahmad Badawi as his successor.

Mr Abdullah, who was foreign minister, has a reputation for being clean - a political asset at a time when Malaysian critics have taken up Mr Anwar's rallying cry against corruption, cronyism and nepotism in the administration.

Mr Abdullah is replaced at the foreign ministry by Syed Hamid Albar, who had been serving as defence minister. In the foreign ministry, Mr Abdullah developed a reputation as a loyalist of Mahathir Mohamad, the

prime minister. However, Mr Anwar was shocked by the appointment of Dr Mahathir's confidant, Daim Zaiduddin, to the finance minister position Mr Anwar was also forced out of in September.

Mr Daim served as finance minister in the 1990s. "Mahathir told me that he accepted... Daim's resignation because there were too many allegations of corrup-

tion against him, that he had amassed wealth when he was minister of finance," Mr Anwar said.

The two men emerged as rivals in the middle of last year. Mr Anwar was subsequently sacked. He is on trial on charges of sexual misdeeds and related counts of abuse of power. He denies them all, saying they are a part of a plot to punish him for challenging Dr Mahathir.

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GITIC BANKRUPTCY CREDITORS TOLD NOT TO EXPECT FULL OR EVEN PRIORITY REPAYMENT

Foreign banks' unease grows over investments in China

By James Harding in Shanghai and Louise Lucas in Hong Kong

The resolve of many foreign banks to scale down operations in China has been stiffened by the problems facing international creditors of a failed Guangdong investment company.

Bankers in Shanghai said many foreign financial institutions would further lower their appetite for China risk after creditors of Guangdong International Trust and Investment Corporation (GITIC) were told not to expect full or even priority repayment on outstanding loans to the bankrupt company.

Some foreign banks, such as Société Générale and ING, have recently started to cut staff and other costs at their mainland China branches. A number of Japanese and Korean banks with serious problems at home have withdrawn or plan to exit China.

The head of one leading international bank in Shanghai said yesterday: "In the light of the lack of support for Gitic, foreign banks are going to be reviewing their portfolios and exiting from anything that in any way is marginal. They were withdrawing from Asia anyway, so this is not a big shock, but a further justification for retreat."

Large, long established banks would not be much swayed from their commitment to China, he said. But, many financial institutions would tilt lending towards foreign companies operating in China and away from mainland Chinese businesses.

Standard & Poor's, the US rating agency, said: "Gitic's bankruptcy marks a turning point for Chinese companies, which must deal with the loss of state support to become free-standing, market-oriented enterprises. It also represents the biggest casualty yet in China's economic transformation."

Foreign bankers were rattled in October when the government abruptly shut down Gitic, which was backed by the government of the fast growing Guangdong province and once one of the

best known mainland Chinese borrowers on international capital markets.

The mood was unsettled again yesterday, as foreign banks digested the initial results of a weekend meeting for creditors. The administrators said that foreign banks should not expect full repayment, that they would not receive preferential treatment, that they would have to wait another three months for progress as they were required to re-register debts and that total liabilities were US\$4.37bn - double original estimates.

"Short-term it will have a negative impact among foreign lenders and make them more cautious about lending," said David Marshall, managing director of IBCA,

the credit ratings agency. "But longer-term it's not a bad thing."

David Carse, deputy chief executive of the Hong Kong Monetary Authority, the territory's de facto central bank, said banks would have to increase their 1998 provisions against Gitic.

One foreign lender said the decision not to bail-out foreign lenders to Gitic, even though it had been backed by a provincial government, would make a clear distinction between sovereign and non-sovereign debt - a line that has been blurred by the "quasi-sovereign" label attached to loans to many Chinese state-owned companies. The credit spread between the two, as in other countries, was likely to

widen, one banker noted.

Following the review of Gitic's problems after three months of market speculation, one banker said the liabilities were remarkable for the absence of the monumental mispending and fraud some people feared. He suggested the government could have saved Gitic - and some embarrassment - by rescuing it when it faced what was fundamentally a liquidity crisis last summer.

Another remarked that anxiety over Gitic and many of the other international trust and investment companies - known as the "lube" - had not fed through into the pricing of sovereign paper, which is still commanding lower yields than other Asian borrowers.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of money and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES					JAPAN					GERMANY				
	Money M1 (\$B)	Broad Money M2 (\$B)	Short Interest Rate (%)	Long Interest Rate (%)	Equity Market Yield (%)	Money M1 (¥T)	Broad Money M2 (¥T)	Short Interest Rate (%)	Long Interest Rate (%)	Equity Market Yield (%)	Money M1 (DM)	Broad Money M2 (DM)	Short Interest Rate (%)	Long Interest Rate (%)	Equity Market Yield (%)
1989	1.0	4.2	8.89	8.50	3.43	4.1	10.6	5.31	5.16	0.48	6.3	5.7	7.12	6.90	2.22
1990	3.6	5.5	8.08	8.55	3.60	2.6	8.5	7.82	6.90	0.65	4.5	4.5	6.48	5.96	2.11
1991	6.0	3.7	5.97	7.86	3.21	5.2	2.0	7.21	6.40	0.75	5.1	5.6	8.25	8.42	2.38
1992	12.5	1.9	3.76	7.00	2.85	4.5	-0.4	5.78	5.24	1.00	7.0	6.1	9.52	7.80	2.45
1993	11.5	1.1	3.22	5.86	2.76	3.0	1.4	2.95	4.18	0.87	9.4	7.8	7.28	6.47	2.11
1994	6.2	1.4	4.67	7.08	2.88	5.4	2.9	2.23	4.20	0.78	9.8	9.0	5.36	6.86	1.77
1995	-0.2	2.1	5.30	6.27	2.61	8.2	3.2	1.22	3.39	0.86	3.7	0.6	4.53	6.82	2.00
1996	-3.2	4.9	5.41	6.43	2.45	13.7	3.1	0.58	3.03	0.75	10.4	7.6	3.31	6.27	1.81
1997	-3.3	4.9	5.59	6.34	1.73	8.8	3.9	0.59	2.34	0.87	6.4	6.2	3.32	5.65	1.45
1998	-	-	5.38	5.25	1.46	-	-	0.72	1.49	1.01	-	-	3.54	4.66	1.31
1st qtr. 1998	-0.1	6.4	5.47	5.80	1.51	9.5	4.5	0.94	1.88	0.97	5.1	3.6	3.54	5.01	1.32
2nd qtr. 1998	1.1	7.2	5.50	5.58	1.42	7.9	3.4	0.64	1.83	0.98	6.3	4.0	3.61	4.89	1.22
3rd qtr. 1998	0.4	7.4	5.45	5.19	1.47	7.8	3.8	0.68	1.39	1.03	6.0	4.2	3.61	4.29	1.25
4th qtr. 1998	-	-	5.10	4.86	1.42	-	-	0.61	1.09	1.07	-	-	3.52	4.00	1.44
January 1999	-0.7	6.0	5.47	5.54	1.59	9.7	4.5	0.95	1.74	1.00	4.4	3.5	3.57	5.12	1.39
February	-0.2	6.5	5.48	5.91	1.51	10.3	5.0	1.04	1.76	0.95	5.3	3.9	3.51	4.99	1.31
March	0.6	6.8	5.48	5.64	1.44	8.6	4.5	0.84	1.62	0.98	5.5	4.0	3.52	4.90	1.29
April	1.2	7.1	5.48	5.83	1.41	8.1	5.6	0.71	1.62	0.95	7.2	4.0	3.63	4.90	1.24
May	1.3	7.2	5.51	5.66	1.42	8.0	5.9	0.62	1.37	0.99	5.6	3.7	3.63	4.95	1.23
June	0.9	7.2	5.51	5.49	1.42	7.4	3.4	0.80	1.28	1.01	6.1	4.3	3.56	4.80	1.19
July	0.6	7.3	5.50	5.45	1.37	8.1	3.5	0.74	1.42	0.95	6.0	4.2	3.54	4.69	1.14
August	-0.2	7.2	5.50	5.37	1.48	7.9	3.8	0.75	1.47	1.02	6.9	4.0	3.50	4.42	1.22
September	0.8	7.5	5.30	4.80	1.58	7.8	3.8	0.55	1.05	1.11	7.2	4.5	3.49	4.04	1.39
October	1.6	8.5	5.10	4.82	1.56	8.6	3.9	0.58	0.86	1.16	8.1	5.0	3.57	4.03	1.53
November	1.7	8.5	5.15	4.84	1.39	7.9	4.4	0.62	0.92	1.02	8.0	5.5	3.63	4.10	1.36
December	-	-	5.07	4.65	1.33	-	-	0.62	1.47	1.03	-	-	3.57	3.87	1.39

	FRANCE					ITALY					UNITED KINGDOM				
	Money M1 (FFB)	Broad Money M2 (FFB)	Short Interest Rate (%)	Long Interest Rate (%)	Equity Market Yield (%)	Money M1 (Lit)	Broad Money M2 (Lit)	Short Interest Rate (%)	Long Interest Rate (%)	Equity Market Yield (%)	Money M1 (£B)	Broad Money M2 (£B)	Short Interest Rate (%)	Long Interest Rate (%)	Equity Market Yield (%)
1989	7.8	10.0	9.40	8.79	2.86	7.2	9.5	12.42	11.61	2.46	5.9	17.4	13.96	10.11	4.36
1990	3.8	9.3	10.32	9.92	3.19	9.2	7.0	11.86	11.87	2.04	6.3	15.8	14.82	11.56	5.07
1991	-4.7	2.3	9.82	9.03	3.55	7.3	5.9	11.83	13.20	3.45	2.4	7.9	11.58	10.09	4.97
1992	-0.3	5.4	10.96	8.57	3.55	6.9	3.1	13.86	13.26	3.63	2.4	5.1	9.74	9.09	4.91
1993	1.1	-3.0	8.56	6.76	3.21	4.7	2.6	10.22	11.23	2.35	4.9	3.5	9.99	7.40	4.01
1994	2.5	1.7	5.84	7.21	2.89	6.6	3.6	8.48	10.58	1.67	6.3	9.4	7.48	8.84	2.84
1995	7.2	4.3	6.80	7.53	3.17	0.4	-1.8	10.36	12.22	1.72	5.9	7.3	6.77	8.15	4.05
1996	0.6	-3.5	3.94	8.22	3.05	1.0	-0.3	8.75	9.43	2.19	6.7	10.0	6.11	7.79	4.08
1997	6.4	1.6	3.46	5.56	2.58	8.8	9.5	6.83	6.83	1.91	6.2	11.2	6.94	7.02	3.59
1998	-	-	3.56	4.84	2.20	4.5	4.95	9.00	9.37	6.1	7.41	5.52	6.03	3.00	-
1st qtr. 1998	8.4	4.3	3.59	5.09	2.23	8.8	9.0	5.89	5.96	1.33	6.8	10.3	7.55	6.52	3.05
2nd qtr. 1998	9.9	4.7	3.66	4.95	1.98	13.2	6.1	5.12	11.11	1.16	6.2	9.7	7.57	5.90	2.86
3rd qtr. 1998	8.7	4.8	3.55	4.52	2.18	10.3	8.9	4.91	4.77	1.42	5.9	9.9	7.57	5.50	2.89
4th qtr. 1998	3.9	3.49	4.10	2.40	2.40	8.8	3.92	4.32	1.48	5.4	6.87	4.78	3.13	2.83	-
January 1999	9.4	3.5	3.62	5.13	2.38	8.0	9.1	6.03	5.50	1.47	6.8	10.7	7.57	6.08	3.24
February	11.8	4.6	3.57	5.01	2.23	8.5	9.8	6.09	5.36	1.34	7.1	10.4	7.53	6.02	3.02
March	9.4	4.3	3.57	4.94	2.09	10.1	8.0	5.56	5.21	1.19	6.7	9.7	7.57	5.96	2.89
April	10.1	4.9	3.68	4.95	2.04	12.9	8.7	5.16	5.16	1.13	6.7	10.4	7.51	5.80	2.82
May	10.5	4.8	3.61	5.02	1.86	12.6	10.2	5.07	5.22	1.28	6.8	9.4	7.48	5.84	2.84
June	9.9	4.7	3.57	4.86	1.93	14.1	10.6	5.10	5.10	1.31	5.4	9.2	7.72	5.77	2.80
July	8.8	4.8	3.56	4.79	1.94	11.7	8.6	4.85	4.98	1.28	5.7	10.0	7.80	5.84	2.87
August	7.9	4.8	3.56	4.54	2.18	9.7	8.7	4.93	4.80	1.39	5.1	8.8	7.74	5.54	3.10
September	6.7	4.9	3.53	4.22	2.44	7.9	7.9	4.96	4.96	1.31	5.4	9.0	7.80	5.40	3.29
October	8.2	5.2	3.55	4.19	2.61	8.9	8.3	4.49	4.69	1.66	6.1	9.3	7.87	4.99	3.00
November	5.0	3.3	3.58	4.22	2.31	9.5	6.0	3.93	4.43	1.42	4.8	8.3	6.97	4.91	3.05
December	3.3	3.35	3.33	3.91	2.26	2.6	3.65	3.40	1.35	6.0	6.44	4.49	4.49	3.00	-

International currency release show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted annual percentage change except for Japan and Italy. German statistical statistics now form a continuous post-German series. Monetary data supplied by Deutscher and MESA from central bank reports. Interest rates: short-term, prime, overnight rates of US - 90-day commercial paper, Japan - 3-month certificates of deposit, Germany - 3-month bill, France - 3-month bill, Italy - 3-month bill, UK - 3-month bill. Libor, long-term, percent average yields on 10-year benchmark government bonds. Interest rates supplied by DataStream. Equity market yield percent average of the three dividend paid and

Iraq steps up tension with threat to Kuwait

By Mark Hubbard in Cairo

US fighters yesterday bombed an Iraqi missile site and Kuwait put its armed forces on maximum alert after Iraq appeared to threaten their joint border after rejecting a Saudi Arabian plan to ease economic sanctions.

The US military action in the northern Iraqi no-fly zone hit two Iraqi anti-aircraft missile sites near the town of Mosul. The US

defence department spokesman said the aircraft had been targeted by Iraqi radar and had acted in "self-defence".

Exiled Iraqi Shi'ite Muslims yesterday blamed the Iraqi government for an attack on a senior Shi'ite cleric in the holy city of Najaf. The city is within Iraq's southern no-fly zone, established in 1991 to protect the Shi'ite minority from the Iraqi regime. Grand Ayatollah Sheikh Basir Najafi was

injured when a grenade was thrown at him during prayers, the London-based al-Khoei Foundation said.

Meanwhile, Iraq intensified the escalating crisis in relations with its Gulf neighbours by denouncing those who refused to condemn US and UK air-strikes against Iraq, and threatened to launch attacks inside Kuwait and Saudi Arabia.

Iraq yesterday rejected a Saudi Arabian offer to propose to the UN that sanc-

tions on imports of food and medical supplies by Iraq be eased. Tariq Aziz, Iraq's deputy prime minister, said the offer was identical to "British ideas submitted to the United Nations in order to cover the Anglo-American aggression and to impose new restrictions on Iraq after the failure of their aggression".

Iraq's blunt rejection reflects the rapid deterioration of its relations with leading Arab states. A

vicious war of words with Egypt has continued, since President Hosni Mubarak of Egypt last week blamed the Iraqi government for the country's plight and said Egypt did not support Saddam Hussein's regime.

Kuwait yesterday placed part of its 15,000-strong armed forces on maximum alert and may call up its 24,000-strong reserves following a statement by Mr Aziz on Sunday in which he rejected the UN's demarca-

tion of the Iraq-Kuwait border.

William Cohen, US defence secretary, said yesterday that Washington would act if Kuwait appeared threatened.

Kofi Annan, the UN secretary general, yesterday called threats over the weekend in the Iraqi parliament, including demands for rescinding recognition of Kuwait's independence, "a major challenge for the security council and the UN."

KAZAKHSTAN ELECTION

Nazarbayev wins big majority in marred vote

By Carlotta Gall in Almaty, Kazakhstan

Kazakhstan's leader Nursultan Nazarbayev has secured himself another seven years in power, with preliminary results giving him more than 80 per cent of the vote in Sunday's presidential election.

But the election process was fiercely criticised by the Organisation for Security and Co-operation in Europe which condemned the lack of democratic conditions in the election campaign.

"The election process fell far short of the standards to which the republic of Kazakhstan is committed as an OSCE participating state," said Judy Thompson, co-ordinator of the OSCE evaluation team in Kazakhstan.

Ms Thompson listed numerous violations in the pre-election period and some irregularities in the voting procedures.

The runner-up, Mr Serikbolysyn Abdildin, the Communist party leader also accused the incumbent of vote-rigging.

Diplomats and observers interpreted the OSCE criticism as particularly strong. "This is a big slap in the face for the president," said one analyst.

Mr Nazarbayev greeted the result with satisfaction. "This moment is historic for the Kazakh people and for our state because for the first time in our history we held (multi-candidate) elections."

In the same breath, however, he warned of an economic "crisis year" ahead as low oil prices and the spill-over effects of the Russian crisis are felt.

He said Nursultan Nazarbayev would remain prime minister and lead a programme of anti-crisis mea-

sures. He would concentrate on further democratisation in this vast former Soviet state, and on fighting corruption and maintaining political stability, he added.

Mr Nazarbayev promised to pay particular attention to the 20 per cent of the electorate who did not vote for him. "They were not satisfied with their standard of living," he said, acknowledging that 12 per cent of the vote went to Mr Abdildin.

For most residents of Kazakhstan it sounded like business as usual. Few in fact expect these elections to change anything.

"There was no way (Nazarbayev) was going to risk anything over the presidency," said one western diplomat.

The international community is waiting to see what will follow. Many remain sceptical, if hopeful, about the president's statements that he will pursue greater democracy after the elections.

"The trend in this country in electoral probity has been downhill for years and has taken a particularly steep downhill curve in the last years," the western analyst said.

"The future will depend on parliamentary and local elections, if (the president) will use them to establish total power or a modicum of freedom."

On the economy, though, many believe Mr Nazarbayev is the right man for the job, regardless of his lack of legitimacy at the ballot box. "It is positive that he win," said Pyotr Svyoyk, a former minister and opposition politician. "There could be a serious worsening of the economy, and we need stability. We will not try to overturn the result."

Nigeria counts votes – and the cost of its involvement in Sierra Leone war

Trouble abroad threatens to add to many problems at home, writes William Wallis

As Nigeria was counting the votes from elections at the weekend intended to take the country a step closer to civilian rule, its military leaders were counting the cost of the country's deepening involvement in the civil war in Sierra Leone.

Like the cost in lives, defence spending on the war is shrouded in silence, with increases coming at a time when Nigeria can least afford them.

In the past three weeks Nigeria, which dominates the west African intervention force, has poured in thousands of additional troops to stave off attacks by rebel forces determined to overthrow elected President Ahmad Tejan Kabbah.

Reinforcements have brought the total intervention force to more than 15,000 soldiers, and Nigeria's own commitment approaching a quarter of its army. They have not stopped rebel forces – backed, according to western and regional governments – by neighbouring Liberia – from taking over large parts of the capital Freetown.

More is at stake than the already bleak future of one of Africa's smallest and poorest nations. "This is not just a Sierra Leonean issue," said one West African diplo-

mat involved in efforts to resolve the crisis. "There are dissidents in countries across the region. If you allow the rebels to succeed in Sierra Leone, what stops other movements from rising up?" he asked.

Nigeria, Africa's most populous nation, may well be asking itself that question. Its economic collapse and long-term misrule have brought it to the edge. Regional and ethnic divisions have dominated elections in the transition to democracy.

At the same time the crisis in the oil-producing Niger Delta has become acute. Militant local activists demanding a fairer share of the proceeds from Nigeria's 2m barrels a day have proved themselves capable of closing a third of production.

If the army were to be

humiliated by Sierra Leone's motley crew of rebels, Delta activists might be emboldened in their threat to shut more production unless demands are met.

If the leaders of the three political parties which contested the state elections have any plans to deal with Sierra Leone and the impact it could have at home, they are not disclosing it.

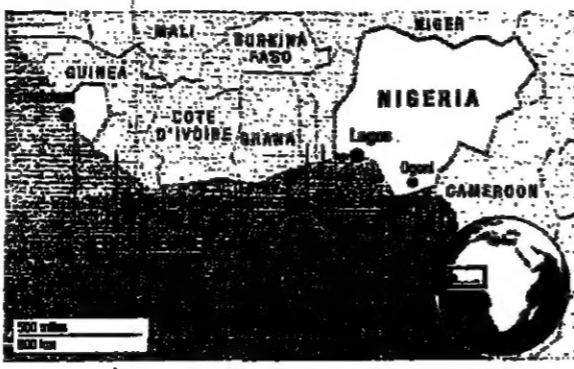
The People's Democratic party, a broad coalition of prominent political figures from across the country, has emerged as the leading party, winning more than 50 per cent of votes in the state elections last weekend. The party won strongly in the east of the country among the ethnic Igbo, lending additional force to the presidential bid of Alex Ekwueme, a favourite son of the east and a vice-president when Nigeria was last ruled by civilians more than 15 years ago.

The other main contender for the PDP's presidential candidacy is former military ruler Olusegun Obasanjo whose supporters tout him as uniquely qualified to preside over the task of restructuring the army and keeping it out of politics long enough for democracy to take root.

But the two other parties qualified have formed the basis of an electoral pact, which could make the presidential contest in polls scheduled next month much stiffer.

The enthusiasm with which Nigerians have gone out to vote is a measure of their desire to see an end to the days of unaccountable military rule. But social unrest is building and any government's ability to force through austerity measures demanded by the low world oil price is likely to be challenged by a hungry and angry populace.

Predictably, in their search for votes, politicians have come out in force against fuel price increases and gone further in some instances, promising free health care and education. They will be hard put to afford. The return, amid official silence, of the bodies of Nigerians killed in the fighting in Sierra Leone is a reminder that a future civilian government might well be inheriting an unpopular foreign policy as well.



Arens yesterday: he believes he can unite Likud

Likud hardliner challenges Netanyahu in election fray

Moshe Arens, a former Israeli defence minister, yesterday announced his candidacy for the leadership of the conservative Likud party and the premiership, writes Avi Machlis in Jerusalem.

The headline Mr Arens appealed to Likud defectors of recent weeks to return to the party. "My chances of bringing Likud to victory in the upcoming elections are greater than Benjamin Netanyahu," he said. "I can

unite Likud." Likud will hold a vote for the party leadership on January 25.

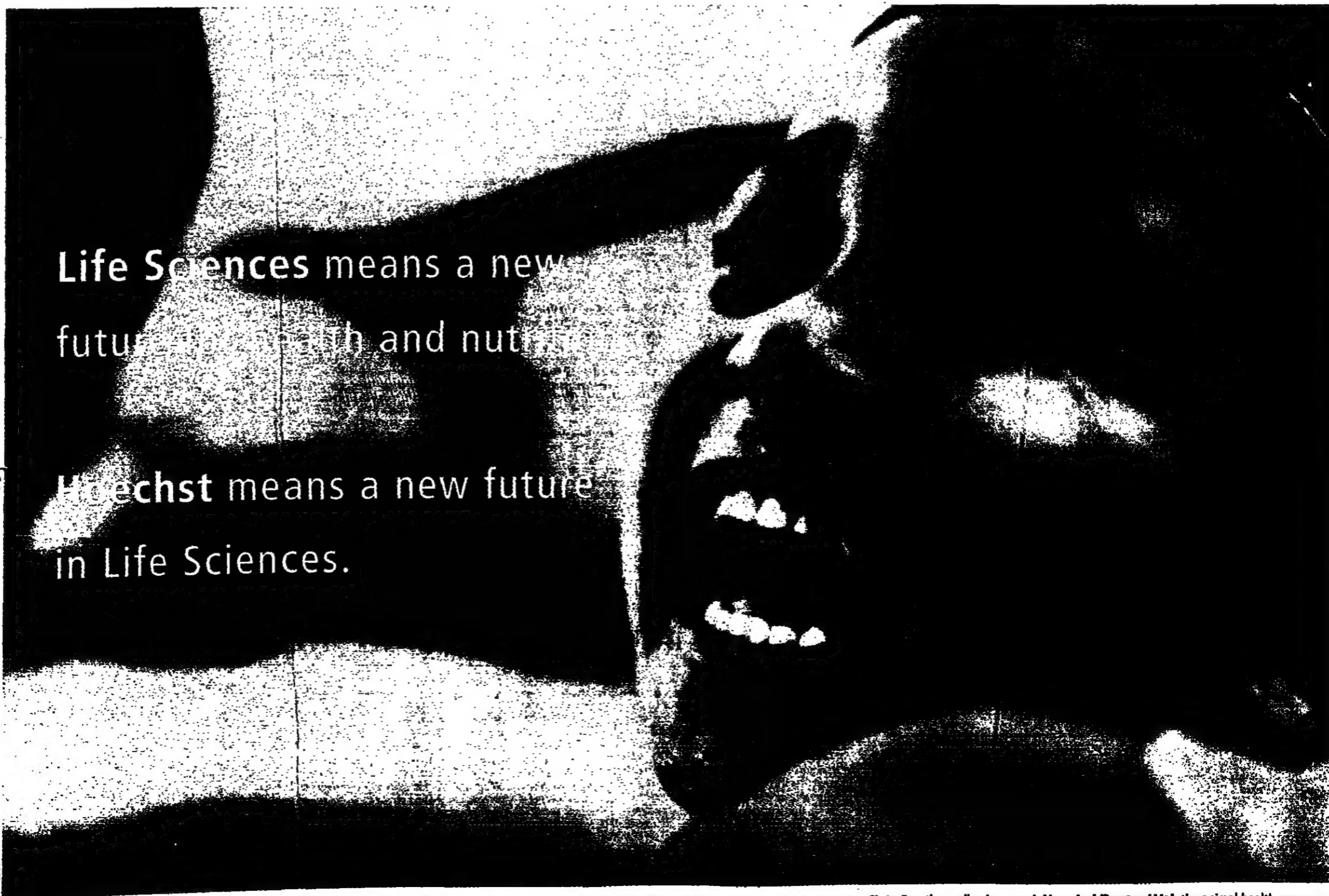
Although he stands little chance of winning, Mr Arens' decision is another blow to Mr Netanyahu.

Mr Arens, one of the prime minister's first supporters within the party in the early 1980s, helped get Mr Netanyahu his first high profile appointment as Israel's ambassador to the United Nations 15 years ago.

uncase grows
s in China

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INTERVIEW WILHELM BONSE-GEUKING, Veba Oil

Growth seeker in the land of giants

The heat is on for the oil subsidiary of the Veba conglomerate. Its chairman tells **Ralph Atkins** the directions in which it could move

"It is," says Wilhelm Bonse-Geuking, chairman of Veba Oil, "a typical German question to ask if you are too small." But it is the first thought that springs to mind for anyone visiting the oil group's headquarters in Gelsenkirchen, north Germany.

With Exxon combining forces with Mobil, and British Petroleum merging with Amoco to form a new league of world oil giants, Veba Oil - with a turnover last year of DM24bn (\$14.3bn) - is looking something of a minnow. Worse, perhaps, in shareholders' eyes, Veba Oil is merely a subsidiary of the Veba diversified industrial conglomerate - and therefore surely the obvious place where shareholder value would be destroyed as fast as the oil is pumped?

That quandary is not unique to Veba Oil. A raft of other German businesses are subsidiaries of the country's numerous industrial conglomerates. But low oil prices add urgency in Veba Oil's case. When economies of scale, synergy savings and focus are demanded by shareholders, can a company such as Veba Oil afford to remain a small part of a sprawling group? Or should it be

sold and merged into a larger entity?

Mr Bonse-Geuking admits his bigger oil industry rivals are in a different league. "They have the capital power and the more balanced portfolios. They also have enormous hidden reserves; in assets as well as money."

An international operation has

The idea is that Veba should eventually offer 'one-stop shopping for energy'

other advantages, whether flying in specialists to tackle particular problems in oil projects or offering international services on the petrol station forecourt.

"It is already a negative for us that with a Shell card you can fill up anywhere in Europe," says Mr Bonse-Geuking.

But Veba Oil, he argues, judges itself against other yardsticks. Is it dominant in its chosen markets? Is it sufficiently big to win

economies of scale? "In the markets where we're active, we have to be at least as big as the main competitors."

In Germany, Veba Oil claims the number one position in "downstream" activities - including the processing and marketing of oil and petrochemical products - with a market share of 19 per cent. It also has a 56 per cent stake in Aral, the country's largest chain of petrol stations. It has an intimacy with Germany that is a useful asset at a time when the new coalition government, including the Green party, plans higher taxes on energy. Mr Bonse-Geuking also says Veba Oil can react faster than larger competitors.

All of the above justifies - perhaps - remaining a mid-size player in the world market. But what sense does it make to be part of the Veba conglomerate structure?

Mr Bonse-Geuking says there are significant advantages. But surprisingly, considering Veba Oil has been part of the Düsseldorf-based Veba group since 1936, his plans are not yet fully formed. The idea, he suggests, is that Veba should eventually offer "one-stop shopping for energy" - bringing together its electrical and gas interests as well as its domestic heating and other oil divisions.

The obvious retail outlet or

marketing brand would be Aral, which through its petrol stations is estimated to have 500m "customer contacts" annually and a name recognition in Germany only a little behind Coca-Cola. With hardly a change in its portfolio, Veba could become a broad-ranging power group, akin to an integrated UK utility.

So far, however, it has not quite come about. Ulrich Hartmann, the chairman of the Veba

group, has talked only generally about an overall energy concept for the conglomerate. An obvious problem is that Veba Oil does not have control of the Aral petrol station business. It has a majority of the shares but only a third of the votes. Worse, one of the other shareholders is Mobil, a competitor.

The other owner is Winterthur, a rival oil and gas group. For years, the three partners

have dabbled with possible solutions that might give Veba Oil full control - but without success. Mr Bonse-Geuking says: "It takes two to tango. At Aral it takes three."

It is possible that Mobil's merger with Exxon might lead to a change in the former's strategy. Until that happens, Veba Oil is locked in a typical German struggle to find a consensus approach to its problem at Aral which, in

turn, appears to be blocking the development of the whole group. "Sooner or later we will have to come up with a solution," says Mr Bonse-Geuking.

Yet with the oil industry consolidating, Veba Oil cannot stand still for long. He is aware of the pressure and is careful not to rule out Veba Oil itself becoming part of the merger trend. "Almost everyone is talking to everyone," he admits.



Wilhelm Bonse-Geuking: Veba Oil may be a minnow but it judges its activities against other yardsticks

HEALTH MANAGEMENT OF DIABETES

From test-tube to bedside and back

David Pilling on a £10m centre for the treatment of diabetes, which wants doctors to respond more quickly to clinical findings

It took 20 years to prove the point. Over that period 5,000 people with adult-onset diabetes were enrolled in the largest clinical trial of the disease ever undertaken. The results, conclusive and compelling, were released with great fanfare last September. In Britain, where the trial took place and where 1.8m people suffer from diabetes, the findings hardly caused a ripple.

Rory Holman, deputy director of Oxford University's Diabetes Research Laboratories, which ran the study, admits he is disappointed. "We need to go out and tell the world."

Results proved that aggressive management of blood glucose levels and blood pressure in diabetes dramatically reduces the incidence of strokes, heart attacks, kidney damage and loss of vision - distressingly common side-effects of the disease. Many physicians had previously believed it was enough to bring glucose and blood pressure levels within an "acceptable range". To do more than this, some believed, could actually be harmful.

"We now know that's wrong," says Prof Holman. The problem now is to get the message across. Persuading doctors to respond more quickly to academic research is part of the rationale behind a £10m centre of excellence being launched in Oxford today. The Oxford Centre for Diabetes, Endocrinology and Metabolism, which will be jointly funded by the National Health Service and Novo Nordisk, a Danish drugs company, aims to narrow the gap between research and clinical practice and to establish best practice by example.

"I go to academic conferences and tell people the results of research all the time," says Prof Holman, whose department will move to the new centre when construction is finished, probably in early 2001. "But if I can stand up and say: 'I do this in my own clinic', it's much more powerful."

The centre of excellence will gather Oxford's prominent, but widely scattered, resources in diabetes under one roof. Instead of having teaching staff in one place, researchers in another and doctors and patients in a third. The idea - borrowed from US biotechnology culture - is that people from different disciplines will meet and, it is hoped, exchange ideas in an atrium café designed for that purpose.

"It will be an iterative process from bedside to lab, from lab to bedside and back to lab again," says John Bell, Nuffield Professor of Clinical Medicine and a driving force behind the project.

Prof Bell, who will act as linkman between industry, academia and the NHS, believes scientific knowledge can be advanced and patient care improved by bringing clinical observations closer to the research base.

A doctor, he says, might for years have noticed that patients with a particular physical characteristic did not respond well to a given treatment. That valuable insight might never reach

researchers, who could, for example, be able to link the finding to a particular gene.

"There is going to be an increasing push to integrate research aspects of disease with patient care," says Prof Bell. "We're going to move from a situation where we have an empirical approach to one where we have an understanding of the mechanism of a disease."

Prof Bell, a fast-talking Canadian who spent several years at

signals and healthcare. The university comes in with heavy-weight academic credibility. And Novo Nordisk comes in with not only cash, but a whole lot of expertise.

Of the involvement of big business, Prof Bell says: "You can't ignore the tremendous power in terms of resources and skills in [industry] that enable us to do things we simply couldn't hope to do in publicly funded science. Getting corporations aligned to academic goals has become a great deal easier."

Novo Nordisk, which has a similar arrangement with the Steno diabetes clinic in Copenhagen, believes it can gain valuable insights through being more closely involved with patients. "Observations in the clinic are one of the better ways to make future innovations in our products," says Mads Oxlund, chief executive. It was because of its relationship with Steno, he says, that the company was the first to develop an "insulin pen" as an alternative to multiple daily injections. Being close to patients made the company realise that patients were desperate for an alternative.

But that, stresses Prof Bell, is the most Novo Nordisk can hope for. The company will not have its name above the Oxford clinic, nor will its funding be on an exclusive basis.

And if the Danish company wants to develop commercially any of the research done at Oxford, it will have to negotiate separately. "What they have bought is a ticket to the fairground. If they want to ride on a ride, they'll have to pay all over again."



Patients told of their desire for an alternative to needles. Science Photo Library



PEOPLE ON THE MOVE

Lockhart recruited to AT&T in new post of chief marketing officer

Michael Armstrong, chairman of AT&T, reached outside the company again last week to make another key appointment - this time by hiring the US telecommunications company's first chief marketing officer.

He has found an unusual mix of experience in the person of Eugene Lockhart. Aged 49, Lockhart first shot to prominence in the City of London in the 1980s while chief technology officer at the former Midland Bank. The telephone-based bank he created, First Direct, was the first of its kind and demonstrated the two skills that drew the attention of AT&T: a good understanding of technology and a sharp eye for marketing.

Since his Midland days, Lockhart has spent time running Mastercard International, where he made a market championing the idea of co-branding, one area where Mastercard stole a march on its larger competitor, Visa. He also ran the retail operations of BankAmerica, but was one of the senior executives to leave on that bank's merger with NationsBank. At AT&T, Lockhart will be in charge of a brand that is regularly ranked as one of the most valuable in the country. He will also face a difficult technology challenge: merging the billing and customer care operations of the telephone company with those of television company TCI, a role that is key to Ma Bell's success in selling telephone, cable television and internet services to millions of ordinary Americans. Richard Waters, New York

Gibson focuses on Nissan's strategy

Carmaker Nissan has carried out a reshuffle that will mean newly knighted Sir Ian Gibson, the Japanese-owned company's most senior European, focusing on longer-term strategic issues within Nissan's European operation.

Sir Ian, one of the UK's most influential manufacturing champions, will now concentrate on his role as Nissan Europe's vice-president of manufacturing and purchase. After 18 months of holding three of Nissan's key jobs, he is stepping down from his posts as managing director of Nissan Motor Manufacturing (UK) Ltd, the Sunderland manufacturing operation, and managing director of Nissan Motor Iberica SA, the Barcelona-based Spanish operation.

At Sunderland, deputy managing director John Cusnaghan steps up to the managing director role and at Barcelona deputy managing director Raphael Boronat moves up to managing director.

Sir Ian said his main focus now was on what will happen within Nissan Europe in a two- to six-year timescale. Nissan's maturing European activities have been developing a much closer structure, including moves towards common purchasing and engineering.

Cusnaghan, 53, who joined Nissan at Sunderland in its infancy as production director in 1984, said the next two years would be highly challenging for the Sunderland plant as it seeks to optimise its capacity. In January 2000 it starts producing a third model, the Almera replacement. Mixed model production is one of the biggest tasks the Sunderland plant has ever faced, he said.

Boronat, who like Cusnaghan has dedicated his entire career to the automotive industry, has focused on design and development, product planning and new project industrial development.

Chris Tighe, Newcastle Upon Tyne

Forstmann Little recruits Bowles

Erskine Bowles, the former White House chief of staff, has joined Forstmann Little, the private equity group, as a general partner.

Forstmann said that Bowles, who served as chief of staff for two years from November 1995, would have "a significant ownership position in the firm". Bowles, 53, is to continue his affiliation with Carousell Capital, the merchant banking firm that acquires middle market companies in the south-east of the US. In 1996 he co-founded the firm before moving to the White House.

Forstmann said it has made a \$50m commitment to Carousell and that under the terms of their alliance, Carousell will continue to focus on middle market transactions and Forstmann on larger deals.

"My partners and I look forward to working closely with him on a full-time basis in the years ahead," said Theodore Forstmann, senior partner of the firm. "We are also enthusiastic about our new alliance with Carousell Capital, the firm Erskine recently founded, which will enable us to extend our reach into smaller companies in partnership with a premier middle-market investment firm," he said.

Forstmann was founded in 1978 and since then has invested more than \$13bn in 23 acquisitions, including General Instrument, Ziff-Davis and Dr Pepper.

From October 1994 to December 1995 Bowles was assistant to the president and deputy chief of staff and before serving in the White House Bowles was administrator of the US small business administration from May 1993 to September 1994.

Before that he was chairman and chief executive of Bowles Hollowell Connor, a North Carolina investment banking firm he founded in 1975.

William Lewis, New York

Giverholt resigns from Den Norske

Den Norske Bank and Christiania Bank, Norway's two largest lenders, announced last week the departure of two of their senior executives.

John Giverholt, 46, resigned as chief financial officer and deputy managing director of Den

Norske Bank, Norway's leading bank, to take up a newly created position at Orkla, a Norwegian consumer goods and chemicals company.

On the same day, Ludvik Sandness, 49, resigned as director of Christiania Bank's asset management and insurance business Kreditkassen.

The resignations came amid a wave of Norwegian financial mergers and speculations of further link-ups. Last week, Storebrand launched a Nkr1.6bn (\$215m) bid for Finansbanken, a Norwegian bank. In December Den Danske Bank, Denmark's largest, secured shareholder approval for its Nkr5.8bn takeover of Fokus Bank, Norway's fourth-largest lender, after a bidding war with Svenska Handelsbanken, Sweden's largest.

From April 1 Giverholt will be Orkla's director for developing shared services and realising synergies.

Giverholt has worked since 1988 as deputy managing director at DNB, serving briefly last year as acting president and chief executive officer following the departure of Finn Hviistendahl.

No replacement for Giverholt has been announced yet. Sandness resigned over a disagreement with Christiania Bank's management after he had presented a plan for building his savings products area.



Giverholt resigns from Den Norske

comprising K-Fondene, Norske Liv, active asset management and bank deposits.

Christiania Bank said it had not named a replacement and may end reorganise the business area.

Valeria Skold, Oslo

Gutierrez at Kellogg helm

Shares in Kellogg, the world's biggest but beleaguered cereal manufacturer, got a small fillip last week when Carlos Gutierrez was named as its new chief executive, with effect from April.

But the task facing the 45-year-old Cuban-born executive, who was elevated to the position president and chief operating officer only last June, still looks formidable.

Kellogg's problems have been well aired. Changing consumer breakfast habits have caused the US cereal market to shrink from around \$8bn to \$7.2bn over a four-year period. Within this reduced segment, own-label competitors peddling cheaper cereals have been snarling

cost-conscious customers, while General Mills has applied pressure at the premium end.

As a result, Kellogg's share has dropped from around 35 per cent to just under 32 per cent over the past couple of years. Overseas Kellogg has seen its non-US market share fall from 52 per cent in 1992 to around 45 per cent by 1997, according to analysts at Salomon Smith Barney.

Gutierrez's task is to reverse those trends. He comes to the job with 23 years of experience at Kellogg, starting as a sales representative in Mexico and then moving on to run operations in both North America and Latin America, and in the Asia-Pacific region.

Immediately ahead of his appointment last June, he was working as executive vice-president for global business development. He was credited there with a number of successful product launches - although mainly outside the US - and an expansion of the cereal giant's convenience food lines, such as Nutri-Grain bars and Rice Krispie Treats.

Wall Street is pinning its hopes on Gutierrez's admittedly brief track record as Kellogg's president, seeing some signs of a more aggressive, and less insular, approach. Last autumn, for example, two company veterans - Thomas Knowlton, president of Kellogg North America, and Donald Fritz, president of Kellogg Europe - resigned in what was viewed as a general management shake-up.

Jean-Louis Gourbin, head of the Asian business, took over the European operations, leaving a hole in the Asia-Pacific region. Last week, Kellogg plugged that by recruiting Jacobus Grodt, formerly with Procter & Gamble, the consumer products group. The North American post remains vacant, but there is talk that this, too, will go an outsider.

Meanwhile, Kellogg's latest cost-cutting efforts, with hundreds of jobs shed at its Battle Creek headquarters, have also been attributed to Gutierrez's lead. But he has preferred to stress investment in new products and expansion of the convenience food lines as the key factor going forward.

Nikki Tait, Chicago

Ascher joins Timber Hill

Tom Ascher, the former vice-chairman of the Chicago Board Options Exchange, the world's largest options exchange, is to join Timber Hill, the Greenwich, Connecticut-based derivatives trading firm.

Ascher, who ended the vice-chairmanship at CBOE just before Christmas after two one-year terms, will be Timber Hill's liaison to exchanges, regulatory bodies and the securities industry generally.

He will continue to work from CBOE's floor in Chicago, and remain a director of the options exchange. Timber Hill and its Interactive Brokers subsidiary have generally been seen as keen supporters of the derivatives industry's shift towards computer-based technology and automated trading systems.

Nikki Tait, Chicago

Dumb by name but not by nature

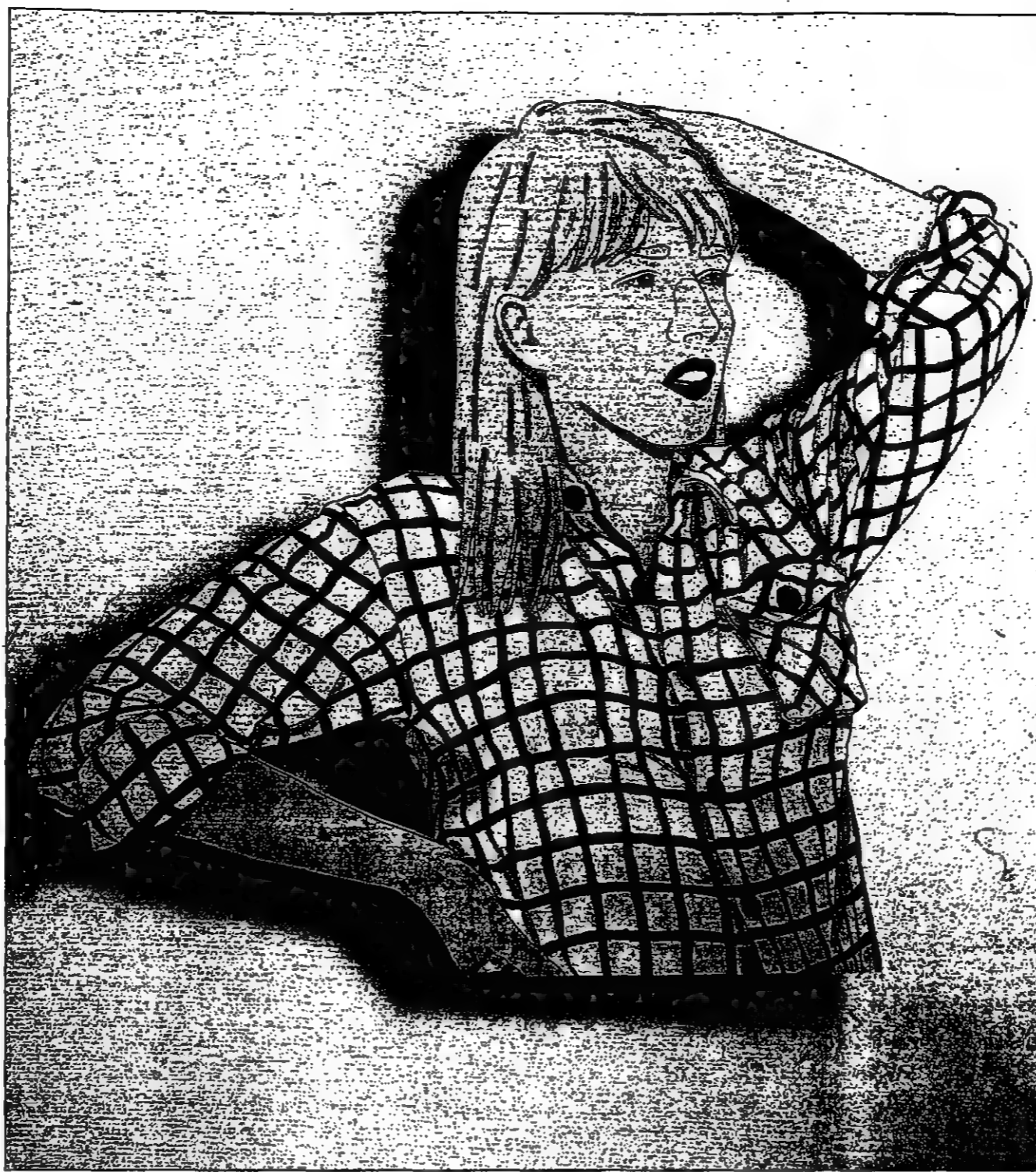
Young artists have plundered art history with considerable panache, says William Packer

Dumb is as Dumb does. If there is an objection to the title of the Jerwood Gallery's second exhibition in its handsomely converted new space in Southwark, it is the fear that the word arouses. A pun stands or falls on the quality of its wit, and while ambiguity may stimulate the imagination, in the present climate of anxiety at apparently declining standards in our general culture, the word "Dumb" only carries its American meaning. So it needs to be understood that, whatever else it is - taciturn, ironical, keeping its own council - the work on show in "Dumbpop" is anything but stupid.

Indeed, in many ways it is rather encouraging. All the artists are young - well under 40 - and seven of the 12 are graduates of the much-vaunted school of art of the Goldsmiths' College in south London. But that, perhaps, is the point. For while the gift conceptualism of the Young British Artists - also largely a product of Goldsmiths - has been sweeping the world - other young British artists have been at their easels putting paint to canvas in the good old way. I have always said that, whatever the orthodoxies of any current avant-garde, painting *qua* painting is never going to go away. And here is proof, in work that, within its given terms and limitations, is well-made and thoroughgoing, with each idea or proposition sustained, each image resolved.

If there is to be an objection to this work, it is the kind of work it is that gives one pause. For everything here is cool, ironical or self-consciously detached. Every surface is immaculate, smooth and unmodulated, every line exact and unreflected, every image considered, worked-out, under control. And, what is more, we have seen so much of it before - indeed, some 30 or 40 years ago, in Pop Art, both English and American, the first time round, in colour-field and post-painterly abstraction; and in the system-painting and photo-realism that followed.

Graham Little's box sculptures, painted in brightly contradictory daisy stripes, would have graced any of Bryan Robertson's "New Generation" exhibitions at White-



Unaffected, direct and simple: "Second Hand Shirt II" by Jun Hasegawa, paying homage to Pistoletto

chapel in the mid 1960s. Paul Morrison's debt to both Bridget Riley and Patrick Caulfield of the early 1960s will become all the clearer with the Caulfield retrospective due at the Hayward next month. Sybille Berger's large hard-edge stripes are, well, large hard-edge stripes. Sarah Morris pays elegant typographical homage to Robert Indiana: Jun Hasegawa, at a certain remove with his cut-out figures, to Pistoletto.

Well, art history is there to be plundered, and these young artists set about it with commendable panache. I particularly liked Sarah Morris's pale-blue chain-link fence upon a pink field, the simplest graphic device, yet seriously satisfying. Hasegawa's

charming cut-out blondes in their check shirts are unaffected, direct and simple, and so too are Paul Morrison's black-and-white trees and abstract waves, Kate Bright's rippling waters, and Dan Hay's impressive photo-realistic tent. These are enjoyable, even admirable things. Only a small and nagging doubt remains.

What we see are these young artists striking attitudes in their commitment to the making of Art About Art. There is nothing wrong in that, but there is little sense of discovery, or a response to the real, visible world. The suspicion is that these young artists, being no longer taught the means to do so, are persuaded there is no longer any point in

doing so. As for intuition, with its alarming unpredictability and propensity for the accidental, clearly there is no place for it.

As I said earlier, painting was never dead and is not likely to die. But here we see only painting of a certain kind. While it stands aside from the narrower orthodoxies of our conceptual, academic avant-garde, it nevertheless represents orthodoxies of its own - that art should be self-conscious in its engagement with ideas, which is to say ideas about itself. Here we are, it says, reworking old ideas maybe, but that reworking by its very nature can only be ours and of today, the truest, newest thing.

But just as these young artists are quite right to find their own

way, as they see it, in this post-modern world, so there are others, no less right, who are in the studio drawing the model, or in the cornfield painting the landscape. And who is to say that the next, brightest star is not among them? No-one is taking that much notice at the moment, but they are out there all right. And would anyone really say that the landscape and still-life that engaged Cézanne, or the presence of the model that sustained Picasso and Modigliani, have nothing now to offer the younger artists? Of course not.

Dumbpop: Jerwood Gallery, Jerwood Space, 171 Union Street, London SE1, until January 17; supported by the Jerwood Foundation.

BALLET DON QUIXOTE

Stars light up the Paris stage

Apart from being beatified in one's lifetime, I can think of few things more gratifying to the spirit than to be named an *étoile* of the Paris Opéra Ballet. Talent, like virtue, has been splendidly recognised in the eyes of the world, and nothing can take away the accolade nor, I suppose, the sense of delight in having joined the ranks of the balletically blessed.

So huzzahs for Aurélie Dupont, elevated to this blissful state on December 31, and rightly so. Twenty-three-years old, beautiful, vastly gifted, Dupont has been a joy to watch since her debut five years ago. I have reported with delight on small roles impeccably danced, and on big roles, like her Raymonda, given lustrous power. And to show that she is not merely a classicalist's pet, her Chosen One in Pina Bausch's *Scène du printemps* last month was an anguished study in terror and ritualistic acceptance of fate.

On Saturday night she appeared as Kitri in Nureyev's fire-cracker staging of *Don Quixote* at the Palais Garnier, with Mameur Laigla as her Basilio, and the night-sky was bright with every pyrotechnic trick you might wish for from both of them. And loud with cheers from an adoring public. Dupont is a darling Kitri, and a tough emotional cookie, vivid in gesture as in temperament. She stamps and romps with the best, flirts with a fan, gives as good as she gets in matter of loving rivalry with Basilio, and her timing - whether in dance or comedy - is not to be faulted.

In style as in looks, she is invulnerably, irresistibly charming. Her dancing is polished, serene in effects, musical, and also holds the eye because of the sweetness of its mechanics: I love the way she shapes steps - except when she decides to prolong balances

above and beyond the call of duty or art. (This was a not particularly winning trick favoured by the otherwise wonderful Tamara Toumanova, who could balance in arabesque for ever, the raised leg waving slightly as if to semaphore to us that she was still up there, while the music hung about waiting for something to happen.)

The partnership with Mameur Laigla is excellently matched. His sense of humour, his generosity of manner and the high spirits with which he imbues Basilio's every action, are the qualities we also see in his tremendous dancing. His speed, clarity of utterance, elegance of means and, for this merry barber, an unfailing and soaring *joie de danser*, give the role a vicarious excitement that are irresistible. We believe in him - as we believe in everything this impeccable artist does. Here, above all, he communicates delight: delight in the role, delight in his partner, delight in the blustering tangle of plot and choreography.

The company performance took its merry tone from this happy pairing. The staging is handsome (Georgiadis designs) and crammed with activity which everyone on stage seemed determined to explore to the hilt. There are, though, some children who mop and mow through a mimetic scene who would be better employed sweeping chimneys. I thought Jean-Hugues Tanno a noble and commanding Quixote, and the Orchestre Lyrique de Paris under David Coleman made us all believe in Minkus. To Dupont and Laigla, and to the artists of the Opéra Ballet, *bonne et heureuse année*.

Clement Crisp



Irresistibly charming: the new étoile, Aurélie Dupont as Kitri

MUSIC IN LONDON POULENC CENTENARY RECITAL

Pleasures in lavish profusion

Last Thursday was Francis Poulenc's centenary, and the Wigmore Hall did it proud. Poulenc was fond of the Wigmore; it was there in 1948, on his 46th birthday, that he and Pierre Bernac introduced several of his wartime songs to London.

This time we had Felicity Lott and young Ian Bostridge singing them, with Graham Johnson at the piano. In the first half, "Flott" was silvery and altogether charming in both the *Metamorphoses* cycle and the children's song-set *La courte paille*. She delivered the old

Yvonne Printemps encore, "Les chemins de l'amour", so seductively that during the interval, anywhere you turned found somebody still humming it aloud.

In the second half Bostridge applied his strange, penetrating tenor to Poulenc's splendid Paul Eluard cycle *Tu pourras*, telling us to listen, to listen. It's one of the few large-scale Poulenc works to break almost free of symmetrical two-bar repetitions for good reason, given his daring choices from Eluard's dense poetry, and with unexpected dramatic force. Bostridge did everything possible

to realise the distinct, unique character of each song.

His low register, previously frail, has acquired throaty new colours which he put to finely suggestive effect in the opening "Bonne journée" and the closing "Nous avons fait la nuit..." But he also sang the Louis Aragon "C", perhaps Poulenc's most heart-stabbing song (about the wartime rout in an ancient town), in his "old" voice - i.e. terribly young and cut-glass - and floated it beautifully.

Astonishing that Poulenc could compose the sweetly tacky "Che-

mins de l'amour" and the sober, heartbroken "C" in just the same form and style, and yet make them feel so utterly different. We also heard that stylish baritone François Le Roux deliver the early, jolly *Rhapsodie nègre* and the riotous 1955 *Le Bal masqué* with the Nash Ensemble under Nicholas Kok, and the three piano *Nocturnes* executed with verve by Steven Osborne.

James Morgan conducted the *a capella* BBC Singers in well-timed, forthright performances of the cantata *Un Soir de neige* and some of the *Chansons françaises*.

It would have been better still to hear the grander, starker double-chorus for *Figure humaine* - first performed, in English, by the BBC Choir 54 years ago this month; but I suppose it needs larger forces. In any case, this birthday party offered pleasures in lavish profusion.

I must apologise for writing last Saturday that Poulenc's main opera, *Dialogues des Carmélites*, wasn't to get a British performance in this centenary year. On the contrary: in May, the English National Opera will mount a new production of it by clever Phyllida Lloyd, with Paul Daniel conducting a strong cast. Not, surely, to be missed.

David Murray

INTERNATIONAL Arts Guide

AMSTERDAM

EXHIBITION
Rijksmuseum
Tel: 31-20-673 2121
Japanese Scrolls: 40 works from the collection of the Kunamoto Prefectural Museum of Art in Japan; to Jan 17

BERLIN

EXHIBITION
Hamburger Bahnhof
Sensation: works from the Saatchi collection of Young British Artists including Damien Hirst, Rachel Whiteread and the Chapman brothers. Originated at the Royal Academy in London last year, where it attracted 350,000 visitors and maximum publicity; to Jan 17

BIRMINGHAM

EXHIBITION
Birmingham Museums and Art Gallery
Tel: 44-121-235 2834
Sir Edward Burne-Jones: comprising more than 200 works, including tapestries and jewellery

as well as paintings. A second generation Pre-Raphaelite, Burne-Jones also had a lifelong working relationship with William Morris, for whose firm he worked as a principal designer; to Jan 17, then transferring to Paris

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● BBC Symphony Orchestra and Chorus: conducted by Andrew Davis in works by Messiaen. With piano soloist Stephen Osborne; Jan 16
● BBC Symphony Orchestra and Chorus: conducted by Andrew Davis in works by Messiaen. With piano soloist Yvonne Loriod; Jan 17
● London Symphony Orchestra: conducted by Ryusuke Nishizaki in works by Saint-Saëns and Tchaikovsky, as well as the UK premiere of Sofia Gubaidulina's "The Canticle of the Sun". Featuring cello soloist Mstislav Rostropovich; Jan 13

EXHIBITIONS

Royal Academy of Arts
Tel: 44-171-300 8000
Charlotte Salomon: born in Berlin in 1917, Charlotte Salomon died in Auschwitz in 1943, after living in hiding in the south of France for three years, during which time she produced a series of 769 gouaches called *Life? Or Theatre?*, a selection of which are exhibited here; to Jan 17

Tate Gallery
Tel: 44-171-887 8000

John Singer Sargent: large-scale retrospective containing 150 paintings, including major public and private loans. Includes late landscapes and American and British society portraits from the 1880s to the early 1900s; to Jan 17

LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Madama Butterfly: by Puccini. Conducted by Marco Guidarelli and directed by Christopher Harlan. With a cast including Yoko Watanabe, Richard Leach and John Atkins; Jan 13, 16

MILAN

EXHIBITION
Palazzo Reale
Tel: 39-02-8691 5738
L'Anima e il Volto (The Soul and the Face): major exhibition of portraiture, comprising 370 works ranging over 400 years. Artists represented include Titian, Caravaggio, Van Dyck, Picasso and Francis Bacon; to Mar 14

OPERA

La Scala
Tel: 39-02-86791
The Fiery Angel: by Prokofiev. Bruno Bartoletti conducts a staging by Giancarlo Cobelli, with Karen Huffstodt and Elvira Margomedova singing alternate performances as Renata;

Jan 14

MUNICH

CONCERTS

Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Ivan Fischer in works by Stravinsky and Bartók, with violin soloist Ivan Fischer; Jan 12, 14, 15
● Philharmonia Orchestra: London: conducted by Christoph Eschenbach in works by Mozart, Prokofiev and Brahms. With piano soloist Taimon Barto; Jan 17

OPERA

Bayrische Staatsoper
Tel: 49-89-2185 1920
www.staatsoper.bayern.de
Lohengrin: by Wagner. Peter Schneider conducts a staging by Götz Friedrich. Cast includes Adrienne Pieczarka and Waltraud Meier; Jan 15

NEW YORK

DANCE

New York City Ballet, New York State Theater
Tel: 1-212-670 5570
Celebrating Five Decades of Repertory: with over 150 ballets, New York City Ballet has the largest repertory of any dance company in the world. Continuing the celebrations of its 50th anniversary, it presents a selection of works from that repertory, including revivals of *Bugala*, Irish Fantasy and Balanchine's *Liebeslieder Walzer*; Jan 12, 13, 14, 15, 16, 17

EXHIBITIONS

Metropolitan Museum of Art
Tel: 1-212-679 5500
www.metmuseum.org

● Desco Does, Court Painter in Renaissance Ferrara: retrospective of works by the last great Ferrarese painter, who was much influenced by Giorgione and Titian. Includes rarely lent masterpieces from the Borghese Gallery in Rome and other European collections; from Jan 14 to Mar 28
● Heroic Armour of the Italian Renaissance: Filippo Negroli and His Contemporaries. Comprehensive survey of work by the most celebrated Italian armourer of the 16th century. Includes more than 60 richly decorated suits of armour, worn by Renaissance kings and captains. Includes public and private loans from Europe and North America; to Jan 17
● Sacred Visions: Early Paintings from Central Tibet. 60 works from the 11th to the mid-15th century, including thangka (paintings on cloth) and sculptures; to Jan 17

OPERA

Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Die Fledermaus: by J. Strauss. Revival conducted by Patrick Summers. Cast includes Carol Vaness, Jochen Kowalek and Bo Skovhus; Jan 14

PARIS

CONCERTS

Salle Pleyel
Tel: 33-1-4581 8589
Orchestre de Paris: conducted by Lorin Maazel in works by Weber, Debussy, Schubert and Ravel; Jan 13, 14

PRAGUE

DANCE

National Theatre of Prague
Tel: 420-2-2108 0731
www.nst.cz
The Nutcracker: by Tchaikovsky, in a staging by Russian choreographer Jurij Grigorovic. Includes works by Alfred Stieglitz, Robert Mapplethorpe and Catherine Ople; to Jan 17

ROME

EXHIBITIONS

Palazzo della Esposizione
Tel: 39-06-474 5903
Valori Plastici: taking its title from that of a short-lived magazine published by Roman art dealer Mario Broglio, this show includes sculpture and paintings, mainly by Italian artists, but also including little-known works by Picasso, Klee and Grosz; to Jan 18

Palazzo Ruspoli

Tel: 39-6-6830 7344
www.palazzoruspoli.it
The Denis Mahon Collection: last stop for the touring exhibition of more than 80 Italian baroque paintings collected by Denis Mahon; to Jan 15

SAN FRANCISCO

CONCERTS

Davies Symphony Hall

Tel: 1-415-884 8000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Ives, Bernstein and Prokofiev; Jan 13, 14, 15

TOKYO

EXHIBITION

Metropolitan Museum of Photography
Tel: 81-3-3280 0031
Love's Body: Rethinking Naked and Nude in Photography. Includes works by Alfred Stieglitz, Robert Mapplethorpe and Catherine Ople; to Jan 17

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHz (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT: 06.30: *Moneyline* with Lou Dobbs 13.30: *Business Asia* 19.30: *World Business Today* 22.00: *World Business Today Update*

● **Business/Market Reports:**
05.07: 06.07: 07.07: 08.20: 09.20: 10.20: 11.20: 11.32: 12.20: 13.20: 14.20.

At 08.20 Tanya Beckett of FTTV reports live from LIPFE as the London market opens.

COMMENT & ANALYSIS



PETER MARTIN

Upwardly mobile

The latest telecoms mergers show that mobile phones have come of age. They will soon dictate the economics of the industry

Like a motorist caught at a dangerous crossroads, the telecommunications industry is trapped between four careering juggernauts.

Three of these are well-known: the shift from national telecoms regulation to international competition, the sudden primacy of data traffic as opposed to voice, and the switch from traditional proprietary switching technology to internet standards.

These irresistible changes have helped produce the wave of deals that has swamped the industry in the last 18 months. Examples include WorldCom's acquisition of MCI, British Telecom's joint venture with American Telephone & Telegraph, and the flood of high-priced purchases of companies that make internet-standard switching equipment, such as Lucent's interest in Ascend.

It was only last week, however, that the implications of the fourth change, the shift of telecommunications from land to air, started to become clear. The tussle over AirTouch, the US's biggest cellular phone company, helps us peer through the fog.

It is not that mobile phones are invisible. They are everywhere: on the streets, on television commercials, as omnipresent in emerging economies in eastern Europe and east Asia as they are in developed markets.

But until now, this very visibility has promoted a narrow image of mobile telecoms. It has seemed to be a sort of boutique version of the traditional land-line phone business - high-priced, glamorous, but essentially frivolous.

The real work of the world

would be carried on over land, just as it has been in the 123 years since Alexander Graham Bell first barked his peremptory message: "Mr Watson, come here, I want to see you," to his assistant.

Vodafone's attempt to create a global mobile phone business by bidding for AirTouch illustrates that mobile communications have come of age.

Land-lines will not disappear, of course. But mobile phones will play an increasingly important role in the mix of telecoms technologies. They will soon start to dictate the economics of the industry, and help trigger a shift in power from phone company to customer.

Mobile phones will change the telecoms business in several important ways. First, they make the concept of open competition in telecoms much more than a theoretical possibility. It has never been very likely that rival telecoms operators would be willing - or

permitted - to dig up the streets to bring competing local access lines to individual dwellings. So no matter how keenly national regulators embraced the idea of telecoms competition, a monopoly or quasi-monopoly would always remain at the local level.

Mobile phones destroy that monopoly, making a truly competitive market much more attainable. As technology improves and mobile pricing falls, the distinction between using, say, a cordless land-line and a mobile phone will become increasingly blurred.

The most vital distinction, indeed, is likely to lie in the information content of the number attached to each.

To a would-be caller hesitating about which number to dial, the domestic land-line will imply "family" and the mobile "individual". The decision about which to dial will be made not because of the technology or pricing of the two systems, but on whether the caller wishes to speak to whoever's

around or just to an individual.

The information content of the number will be the deciding factor, not the technology that lies behind each.

Mobiles are changing the business in another important way. They are the telecoms equivalent of the personal computer. Before PCs, computer installations consisted of central mainframes - which contained all the system's intelligence - and dumb terminals, which fully deserved their name. The PC shifted a good part of the intelligence from the centre to the terminals.

Similarly, the old phone system concentrated all the intelligence at the centre, in the phone company's switching centres. Mobile phones also require intelligent central equipment - switches and transmitters. But a good part of the total system's intelligence now resides in the handset.

When the next generation of mobile phone systems arrives, to provide broadband communications over the airwaves, this process will be taken further. Mobile phones will be universal, cordless communicators or personal digital assistants. They will keep your appointments, handle your e-mail and manage your to-do lists.

These two changes together shift the value added from the calling system to the called. Once everyone has a voicemail-equipped mobile phone and an individual number, and is theoretically accessible everywhere and all the time, it is the answering not the calling that counts. "Reach out and touch someone", AT&T's slogan in the past, will give way to Blonkie's "Don't leave me hanging on the telephone".

A world will evolve in which telephone users will have to be bribed - perhaps through loyalty points schemes - to answer their phones. Without some such arrangement, when the next Alexander Graham Bell sends out an urgent message, he will end up with Mr Watson's voicemail.

Andrew Mallinson, marketing manager, UK & Ireland, Brown-Farman Beverages Worldwide, Cavendish House, 51/55 Mortimer Street, London W1N 6JE

peter.martin@ft.com



LETTERS TO THE EDITOR

Euro advent allows City of London to deploy expertise in derivatives

From Mr Tim Sweeney

Sir, It is wrong to conclude from initial market preference for Euribor against euro Libor when trading euro swaps that the City of London is losing out in battle over the euro benchmark. This provides a backdrop against which substantial use of Euribor is to be expected but London can be the financial centre for Euribor-based contracts just as it is now for Libor-based contracts in seven major trading currencies.

International banks value Libor, and the British Bankers' Association sponsors a range of Libors which are used globally. As a member of the European Banking Federation, the BBA also co-sponsors Euribor because of market support for such an

index. In the long term, the derivative markets' choice of benchmark will reflect where major euro money business is based because that index will provide the best basis for hedging. It is not yet clear where the balance of money business will be done. However, whatever the choice of benchmark, the lion's share of related derivative business will continue to be transacted in London.

Tim Sweeney, director-general, British Bankers' Association, Pinners Hall, 105-106 Old Broad Street, London EC2N 1EX, UK

Distillation in Tennessee

From Mr Andrew Mallinson

Sir, With reference to your article in the Financial Times "Welsh have hopes of whisky galore" (January 2) please note the following.

Jack Daniel was never "forced out of Britain by the Methodist Church temperance movement".

Jack Daniel was born in Moore County, Tennessee in 1846. His grandfather, Joseph Daniel, left England and emigrated to America around 1790.

Jack Daniel was later credited with owning the first "registered distillery" in the US in 1866. This distillery in Lynchburg, Tennessee remains today the only site of distillation for Jack Daniel's Tennessee Whiskey.

Andrew Mallinson, marketing manager, UK & Ireland, Brown-Farman Beverages Worldwide, Cavendish House, 51/55 Mortimer Street, London W1N 6JE

Approach undermines strongest currencies

From Mr James Gore

Sir, Your extraordinary attack on the Japanese authorities in your leader "Japan's folly", January 7, for allowing the yen to appreciate, is nothing if not consistent with your approach to strong currencies.

My view, once again, is that you are displaying policy deficiencies.

There is a decent relationship in the UK between a strengthening currency, falling levels of unemployment and growing levels of con-

sumer confidence. Japan has suffered a weak currency for some time now and I think the country's policy of raising interest rates, improving the underlying value of the currency, will, eventually, lead to falling levels of unemployment, rising consumer confidence and a roser prospect for its economy.

Why do you persistently undermine the prospects for currencies except the euro?

J. Gore Browne, Rutland Centre, Melford Street, Leicester LE1 1TQ, UK

Serious case of internet mania

From Mr Christian Kolomo

Sir, "Internet shoppers spend \$1.2bn" (January 6), contains a figure which is hard to interpret. I have some difficulty understanding why this sums prominent space.

In my view the mere presentation of the facts in a smaller note would do

and you would not contribute to mania which already has got out of hand.

Christian Kolomo, TE-V Verhogensverwaltung, Kettnerhofweg 92, 60325 Frankfurt, Germany

Smashing stereotypes

From Ms Liz Cook

Sir, No, women don't "need to be macho to succeed" in management (January 6). Depicting rigid alter-natives of "male" or "female" management styles is the language of yesterday.

It is possible to acknowledge the difference between men and women and still give each of us the freedom to be who we are and what we can become.

We need male leaders who can think like females, and female leaders who can think like males.

Organisations will need both sets of qualities to survive. The Industrial Society believes male and female leaders can be different and equal, without having to select management style from two rigid stereotypes.

Liz Cook, equal opportunities consultant, Industrial Society, Robert Hyde House, 48 Bryanston Square, London W1H 7LN

Putting health in the balance

From Mr Paul J.L. Rex

Sir, It would be interesting to see a comparison between annual private health insurance premiums paid in the UK and the sums required to bring the National Health Service up to a more acceptable standard of service (Letters, January 11).

Could it be that even the most cynical taxpayer might accept that an increase in the latter category of expenditure might lead to a reduction in the need for the former?

Paul J.L. Rex, Weavers, Gastons Lane, South Warborough, Banbury OX38 1RH

PERSONAL VIEW CARL BILDT

Saving Kosovo from itself

Nato has a bigger stake than any other organisation in preventing war in Kosovo. It is there that it must prove that it can preserve peace in Europe

If tensions in Kosovo continue to escalate, the province could be plunged into a full-blown war before winter gives way to spring. And Nato leaders, meeting in Washington in April for the organisation's 50th anniversary, could well be facing their first failure to deter war in a generation.

The last international attempt to mediate in the conflict between Albanian separatists and Serbian security forces was in October, when Richard Holbrooke, the US special envoy, put pressure on Slobodan Milosevic, the Yugoslav president, to agree to the deployment of civilian observers to monitor a reduction of Serbian troops in the region.

But this was never going to be more than a stop-gap measure, designed to buy time for political talks to get under way. It was hoped that an interim arrangement on autonomy for Kosovo would be ready by early November.

But the talks hardly got off the ground. Different US drafts have swung like a pendulum between the two sides, with neither of them showing any real interest in reaching a settlement.

In the meantime, the security situation continues to deteriorate. The Kosovo Liberation Army (KLA) has re-established control over large parts of the province, after having been driven back by a Serb offensive last summer.

Armed incidents are proliferating. Civilians are being armed. There is a real threat of civil strife in areas where Serbs and Albanians still live close to each other. The conflict might soon reach the cities.

Kosovo is now at a dangerous impasse. Stalemate on the political front has made it more difficult to control outbreaks of violence, while the escalation of conflict is blocking progress on political negotiations.

Without outside pressure, there is virtually no prospect of the opponents coming to an agreement by themselves. They are both bent on conflict. Each side believes it can prevail upon its adver-



The international community must stop more suffering

Nations reinforced their presence in Macedonia, the international community would have substantial leverage over the two sides in the conflict. The longer Nato prevaricates, the more likely Kosovo will head for open war.

There is no doubt that a deployment of Nato ground forces in northern Albania would scale up international involvement in the region. But so far, governments have been reluctant to consider this option, hoping that what has been done so far should suffice.

This is manifestly not the case. And it will be impossible to avoid further commitment. An international peacekeeping force would be needed if the two sides agreed to an interim political pact. On the other hand, should the war escalate, sooner or later an even larger foreign intervention force would be required.

Nato's stake is bigger than any other international organisation in the success or failure of efforts to bring peace to Kosovo.

In the early stages of the conflict in Bosnia, it was easy to blame the European Union, and then the inadequacy of the UN's response. But in Kosovo, it is Nato that has taken on the issue of war and peace. It is there that Nato must prove whether it can preserve peace in Europe.

While the task of Nato is to prevent war, other players should also be prepared to work for peace. Europeans, Americans and Russians must begin to consider the long-term problems that afflict the Balkans.

Towards the end of the last century, instability in the Balkans was a constant threat to Europe. The situation may now be different, but nevertheless, we must not forget the lessons of history. If we cannot deter war in the Balkans, if we fail to give the region a more stable political structure, then we will not be able to say we have peace in Europe.

The author is a former Swedish prime minister and international peace envoy to Bosnia

The reluctance of Nato to deploy forces in northern Albania has impaired efforts to work towards a settlement

doubt be useful, as will Nato air power in the region and the deterrent effect of a European "extraction" force in Macedonia, which is on standby in case verifiers get into difficulties.

But this is hardly enough. As long as military pressure is not exerted on all sides to the conflict, it will scarcely be possible to move the political process forward.

Nato has made it clear that it is ready to use its air power against Serbia. But it has little leverage over Kosovo's ethnic Albanian separatists. This seriously under-

mines the possibility of political progress. In an earlier stage of the conflict, the Albanian government asked Nato to station forces along its border with Kosovo. Its immediate concern was to deter Serbian cross-border raids against KLA bases.

The reluctance of Nato to deploy forces in northern Albania has impaired efforts to work towards a settlement. Clashes in the border region between Yugoslav forces and the KLA have become frequent and can be expected to intensify. But as a result of the cross-border incursions, it has also become more difficult to demand a reduction of Serbia's military presence in the province. Meanwhile, it has become virtually impossible to exert serious pressure on the KLA, which has been building its forces in northern Albania.

If, however, Nato were to seal the border between Albania and Yugoslavia, and if Nato and the United

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Tuesday January 12 1999

Shifting gears in Europe

Recent consolidation talks among European car makers are a welcome sign that they are finally responding to inexorable pressures to restructure. These are clearly reflected in a steady decline in their profitability, in spite of last year's record sales volumes. But merely retooling ownership in the industry will not restore it to sound commercial health. Tougher measures are needed, by governments as well as by companies.

European car makers have done much in the past decade to adopt Japanese production techniques. But cost savings have been offset by spiralling marketing expenses and capital investment in automation. Meanwhile, the industry's structure is fast becoming global. These trends make yet bigger scale economies critical to survival.

Many European carmakers hope consolidation will enable them to cut costs by increasing their bargaining power, notably with component suppliers, and spreading development expenditures. But while the potential for such benefits exists on paper, capturing it may prove tricky.

Car company mergers in Europe - above all across borders - have often presented unexpected knotty problems of corporate integration. Alliances or joint ventures may seem a lower-risk alternative. But many have so far yielded disappointing results, or foundered on disagreements between partners.

Furthermore, even if those pitfalls are avoided, consolidation will not solve car makers' problems unless it also addresses squarely their biggest weakness, chronic excess capacity. Its persistence is due mainly to governments' reluctance to accept large-

scale plant closures and their readiness to reward inefficiency by meeting car makers' demands for subsidies and trade curbs. There seems no reason why increased industry concentration should change that. Indeed, as the industry cycle starts to turn down, pleas for special treatment are likely to intensify. If Europe is really to have a healthier car industry, governments must not only resist such demands, but increase the pressure on companies to adjust.

They should do so by attacking the restrictions that distort competition in Europe's car market. As a minimum, the European Union needs to respect its pledge to eliminate this year its quotas on Japanese car sales. Brussels should also allow the block exemption of car distribution from EU competition rules to expire in four years' time. Industry claims that the arrangement benefits consumers fly in the face of evidence that it has been used to partition the single market, maintain wide national price differentials and perpetuate inefficient retailing methods.

Finally, action is needed to stop car manufacturers using "grey" import laws to block import competition from outside the EU. The UK's recent efforts in this direction are commendable. They should be backed up by the European Commission and other member governments.

Such steps are bound to face strong opposition. But policy-makers need to keep two points in mind: that tolerance of cozy practices in the industry has contributed to many of its problems; and that Europe's aggressiveness in tackling them will be a litmus test of its approach to broader economic restructuring.

Teutonic Turks

Chancellor Gerhard Schröder's Red-Green coalition is expected later this week to unveil a long overdue plan to reform Germany's unfair nationality law, making it easier for many of the country's 7m foreigners to acquire German citizenship.

But already the main Christian Democrat opposition parties are mobilising against the move through an extra-parliamentary petition that could pander to extremists. By going out on the streets to collect signatures for a petition against government plans they cannot defeat in parliament, the opposition runs the risk of stoking up racial tensions.

Germany is almost the only European country (except for Switzerland) still to base its nationality law largely on who your parents were, rather than where you were born or live. This law, based on the right of blood rather than soil, has created much unfairness: after the end of the cold war, thousands of ethnic Germans, scattered through Russia and eastern Europe since the late Middle Ages and barely able to string two words of German together, have been able to gain the citizenship denied to many Turks and other ethnic minorities born, living, and paying taxes in Germany, but not

allowed to vote or hold public office there. This discrimination has undoubtedly hampered immigrants' integration into German society.

The Kohl government made a gesture in 1991, by allowing foreigners resident in Germany for 15 years, as well as children born in Germany of foreign parents, to opt for German citizenship. But only if they renounced their original nationality.

The Schröder government plans to cut the residential qualifying period to eight years, and to permit dual nationality. The opposition claims this last provision will create "divided loyalties" among newly enfranchised Germans. However, it has never raised such concern about other dual nationals, admittedly in smaller numbers, from Europe and the US.

Opposition parties may well want to frustrate a reform that would encourage Germany's immigrant community to vote for Mr Schröder's party. But there are worthier issues to take up - for instance, the government's business tax, nuclear energy and labour market plans. It might also recall that last summer, Germany's very Teutonic team did poorly in a World Cup won by France's "rainbow" team.

A Kazakh sham

Nursultan Nazarbayev was re-elected president of Kazakhstan this weekend with the kind of overwhelming majority enjoyed by neighbours such as Heidar Aliyev of Azerbaijan and Edward Shevardnadze of Georgia. Such votes stroke the ego of the victor, but remind everybody else that the former Soviet states of central Asia remain highly personalised regimes.

Once again the rituals of democracy have masked an autocratic substance, a point underlined by the refusal of the Organisation for Security and Co-operation in Europe to make a serious effort to monitor the election.

Ironically, Mr Nazarbayev would probably have romped home with a comfortable majority in a free election. He and his family command much patronage and control both regional elites and key economic institutions. Many Kazakh citizens still see him as a guarantor of stability in a vast country richly endowed with oil, gas and minerals, but landlocked and hemmed in by powerful neighbours, including Russia and China.

Steady progress in these and other areas is needed to attract funds to develop Kazakh resources and to ensure that revenues are used to modernise and raise living standards - rather than line the pockets of regime favourites. The election may be over. But the real test starts now.

They have a point. But autocratic regimes too often become corrupt and repressive. This is the danger now facing Kazakhstan, just as global competition for foreign investment demands greater transparency and strengthened legal protection.

Squaring up to Marlboro man

BAT's deal with Rothmans makes it the only serious rival to Philip Morris, says Tony Jackson

Even in today's world of giant mergers, yesterday's £25.5bn takeover of Rothmans International by British American Tobacco came out of the blue: a nice shock or a nasty one, depending on the viewpoint. The stock market was delighted, pushing BAT's shares up 16 per cent. For BAT's rivals, it was quite a different story.

The reaction of investors was natural enough. In global terms, the cigarette business is now a duopoly: Philip Morris has a world market share of 17 per cent, and BAT is on its heels with 16 per cent. China's vast state tobacco producer has some 30 per cent, but sells purely domestically. No other producer in the world is half the size of the new group.

Within the tobacco industry, the news came as a thunderbolt, particularly for R J Reynolds of the US. A struggling number three behind BAT worldwide, RJR was considering selling its non-US business.

There were two widely mooted buyers: BAT and Rothmans. No longer. One BAT director remarked yesterday, with undisguised satisfaction, that he would not have cared to be around RJR's headquarters when news of the deal came through.

The other big surprise was that the Rupert family, which founded and controls Rothmans, has sold out. It will have a sizeable chunk - 35 per cent to begin with - of the merged company. But it will be a passive holding. As Johann Rupert, head of Rothmans, told the FT last year: "I'd much rather go and play golf than work for somebody else."

So why sell? On the one hand, Mr Rupert has been fish to fry (see below). On the other, the tobacco industry, like many others, is consolidating.

Mr Rupert said yesterday: "You're either a restructurer or a restructuree. We certainly don't think Rothmans isn't viable. But five or six years down the line, the risk was that the industry would have consolidated and we wouldn't have been part of it."

So is this yet another of those defensive alliances, in which players in a shrinking industry huddle together for warmth? Not entirely, according to Martin Broughton, BAT's chairman. "I see this merger," he said at yesterday's press conference, "as having both defensive and offensive characteristics."

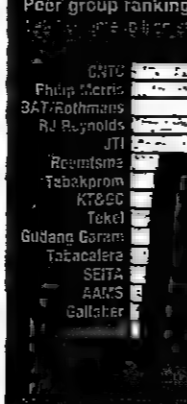
In BAT's view, world volume of tobacco sales is going to be flat in the foreseeable future, with growth in the developing world offset by decline in richer nations. Rothmans does not

Tobacco: a global duopoly emerges

Sales by country



Peer group ranking



ness in the US, and is thus not exposed - as BAT is - to US litigation. It is also immensely strong in Africa, which BAT sees as one of the fastest-growing regions for cigarette sales.

To that extent, BAT is buying growth. In surrendering his company, Mr Rupert said jovially at yesterday's press conference, "We've perhaps given up some growth in the next two or three years in excess of BAT's."

Nonsense, said Mr Broughton, a shade less jovially. "But you will notice," he rejoined Mr Rupert, "that they describe the deal as earnings-enhancing, and we describe it as earnings-neutral." Though the deal has attractions for BAT, it was formed jointly by American Tobacco and Imperial Tobacco of the UK, as a pooling of the two companies' assets outside their home countries.

This shut BAT out of both countries. It has since re-entered the US market, not least by buying American Tobacco, the shrunken remnant of its erstwhile parent, in 1994. Through

Rothmans, it will have 14 per cent of the UK market as well.

Elsewhere in the world, the new group's market share will be a lot bigger than that. In South Africa, Rothmans already had around 60 per cent of the market. BAT's share was grandly dismissed yesterday by Mr Rupert as *de minimis*. But the new BAT will have perhaps 95 per cent, which is perhaps a little steep even for a country turned to oligopolies from the old days of apartheid.

The share of other markets - over 30 per cent of Canada and 60 per cent of Australia, even by BAT's own estimate - would be unconscionable in any other industry. But the tobacco industry has a history of monopoly, run either by the state or - as in large parts of South America and Asia - by BAT itself. Doubtless, there will be horse-trading with the authorities. Doubtless too, the deal will go through.

Where will that leave the rest of the world tobacco industry? Philip Morris, still the dominant force, may not be unduly perturbed. Its strategy has always

been quite different from BAT's, depending as it does on the remorseless advance of one of the world's most powerful brands, Marlboro.

BAT, by contrast, still takes the piecemeal approach characteristic of its history. It has one or two international brands, such as State Express or Lucky Strike. For the most part, though, it works by dominating local markets with local products.

The Rothmans deal, says Jonathan Fell, tobacco analyst at Merrill Lynch, gives BAT a few more brands to play with. "But they also know they have too many brands," he says. "They're already phasing out support for some of them."

For the rest of the industry, though, the emergence of a global duopoly is unwelcome. As Mr Fell observes, the larger European tobacco companies - Imperial of the UK, Seita of France, Reemtsma of Germany - all have plans to increase their earnings through cost-savings over the next five years or so.

But like Mr Rupert, they must be asking what the outlook is

thereafter. There will be scope for tie-ups on a regional basis. But they will remain tiddlers by comparison with the two giants.

There is a moral here. Like many other big tobacco companies, BAT was in its time a conglomerate. That structure has gradually been unpicked, culminating in the demerger of BAT's insurance interests last year.

Rothmans, too, has been part of a wildly diverse empire, ranging from luxury goods in Europe to all kinds of motley investments in South Africa. Now its original tobacco business has likewise broken free.

Thus a dominant theme of investor capitalism finds expression. Tobacco may be a nasty and risky business, exposed to litigation and the opprobrium due to peddlers of a dangerous and addictive drug.

But weighing those risks - and hedging them - is a job for investors. Management's role is to clarify the risk and get on with it. In tobacco these days, as in most things, it pays to be single-minded.

Taking the long view

troublesome tobacco business to BAT. Richemont is left with Vendôme, its luxury goods group, and Rembrandt, a sort of investment trust whose holdings range from tobacco and mining to financial services and chickens.

By keeping Vendôme, Mr Rupert has held on to some of the world's best-known brands, including Cartier jewellery, Piaget watches, Mont Blanc pens, Dunhill and Chloé, the Paris fashion house which is being revitalised by Stella McCartney, its hip young designer.

Last winter, the astute Mr Rupert made the most of the

Asia-induced downturn in the \$35bn global luxury goods industry when he bought back Vendôme by offering £1.04bn for the 30 per cent of the shares Richemont did not already own.

Having seen the share price fall by 40 per cent in the preceding year, and fearful of a further decline in market conditions, Vendôme's shareholders accepted. The company did not do well last year, largely because of Dunhill's difficulties in Asia, with operating profits slipping by 6.3 per cent to \$125.6m (\$112.9m) in the six months to September 30.

However, with the luxury

goods industry gingerly poised for recovery, analysts are convinced that the deal will eventually turn out to be a bargain. "His timing was brilliant," said Cedric Magnolia, an analyst at Credit Suisse First Boston in London.

One encouraging sign for the luxury goods market is the yen's firmness against the dollar. Another is that, despite recessionary fears, demand has remained strong in North America and Europe. Gucci, the Italian fashion group, and Tiffany, the US jeweller, reported healthy pre-Christmas sales last week.

The rosier outlook for the sec-

tor has brought corporate activity back to life. LVMH, the French luxury goods group, revealed last week that it had secretly amassed a stake of more than 5 per cent in Gucci, sending shares in the Italian group soaring. Traders suspect that LVMH has since bought more shares, possibly as a precursor to a bid.

In South Africa, Richemont is flush with cash and ripe for restructuring. "Rembrandt is probably going to have R3bn (\$300m) in cash and lots of shares they could sell if they wanted to," says one analyst in Johannesburg. "They could make some big moves in South Africa."

Alice Rawsthorn and Victor Mallet

OBSERVER

Getting a yen for change

A fight is underway in Japan - and nothing less than the dignity of the yen is at stake. While prime minister Keizo Obuchi is busy promoting greater use of the Japanese currency on his tour of Europe, a small but influential group back home wants to see a reduction in the currency's three-digit denomination.

"Internationalisation of the yen and a change in the denomination go hand-in-hand," insists Hideyuki Aizawa, vice-chairman of the ruling Liberal Democratic Party's committee on financial problems. "Japan is the only industrialised country which has a core denomination of three digits."

The exchange rate is currently about ¥108 to the dollar and ¥130 to the euro.

The birth of the euro means that Italy's lire no longer suffers the ignominy of having large denominations. "Having a three-digit denomination makes the yen lightweight. Nobody will even pick up a one yen coin on the street," Aizawa adds.

A change in the denomination, he reckons, might add to some costs - particularly for computer-driven financial institutions - but it could also spur economic activity and boost consumer spending. "If something that was ¥100

becomes ¥1, wouldn't it encourage you to spend?" he suggests, maybe more in hope than expectation.

Uprooting roots

Hungary's new centre-right government led by prime minister Viktor Orbán loves to portray itself as the protector of Magyar values. But his dedication to peasant makers twirling in embroidered frocks and whip-cracking, back-slapping shepherds clearly has its limits.

The new regime's efforts to strengthen the role of the prime minister's office has led to a bit of overcrowding, so more space is desperately needed. And what better than the opulent building just opposite parliament that currently houses the national ethnographic museum?

So the order went out last week to move the 200,000-item collection by April 1. Even opponents of the government admit the palace, originally built as the nation's Supreme Court, isn't ideal as a museum. But relocating in three months a collection that took four years to move in - losing around 10 per cent of it through damage in the process - seems a little over-ambitious.

So Orbán's office has quickly backpedalled - giving the museum until the end of the year to find somewhere new. Two of the three suggested sites are miles out in the suburbs. So if

Magyars don't know their roots in 20 years time, we'll know exactly who to blame.

Wright knees-up

The needs at silicon colossus Intel have come up with a new way of travelling - business-like class. And it's proving an inspiration to others.

Intel supremo Ron Whittier recently flew in to cut the mustard with media types at entertainment outfit Chrysalis. He pitched up in woolly jumper and tracksuit bottoms, to be received by smart-suited Chrysalis chairman Chris Wright. Whittier explained he'd stepped straight off the plane and hadn't had a chance to change.

It dawned on Wright that Whittier had been rubbing shoulders with the great unwashed in economy class. So from now on, Chrysalis executives are under orders to exchange the comforts of first class for cut-price, knees-under-your chin travel. Let's hope they're made of the Wright stuff.

Meeting of minds

The wind of change is blowing in the world of Brussels think tanks. Word has it that Peter Ludlow's Centre for European Policy Studies, the oldest of the cerebral Brussels institutes, and Stanley Crossick's European Policy Centre just might put their

heads together.

Any marriage between Europe's brightest sparks would come as something of a surprise. The two think tanks have always been at opposite ends of the pointy-headed spectrum: Ludlow's centre is a research-driven institution with high costs, while former lobbyist Crossick sees the EPC as a leaner outfit that influences rather than dissects EU policy. But it doesn't take a research project to see economics at work. A close reading of next year's EU budget shows that CEP's annual Ecu250,000 allocation, which never completely covered its overheads, is now to be shared between "Brussels think tanks". Might explain why co-operation is the order of the day - two heads are better than one.

Captive clientele

Fancy a night reliving the Nelson Mandela experience? No, not a night in his presidential pad but on Robben Island, where he was incarcerated for nearly two decades.

The prison, a few miles off the coast of Cape Town, is now a museum and is planning to offer overnight accommodation to as many as 100 tourists. The island's management says it will convert wardens' homes and other buildings into guesthouses. Observer trusts the breakfasts have improved by opening day.

Financial Times

100 years ago

Dubious Traders
A correspondent complains of difficulty experienced by British merchants in obtaining justice in countries like Mexico. The natives there, he says, are always ready to receive British merchants' goods, but are not always so willing to pay for them. A British merchant entrusted money to a Mexican trader supposed to be of high standing and good family connection. But when it came to paying it back, it was not forthcoming. The trader, who was of good social standing, succeeded in getting himself elected Deputy of the State, in which position he cannot be prosecuted, whatever he has done.

50 years ago

Three Days in Rio
Advertisement: "When you or members of your staff are paying a flying visit to South America, you want to arrange the journey so as to eliminate unnecessary flights in either direction. British South American Airways operate the most frequent, and therefore most time-saving, service to South America. You can fly to Rio de Janeiro, for example, on a Friday, spend three days there and be back on the following Thursday."

THE LEX COLUMN

Lighting up

Takeovers can seriously improve your (financial) health. Yesterday's deal is a coup for both BAT and Rothmans. Rothmans, the smaller, no longer risks slipping down the league of international tobacco companies. BAT improves its portfolio of premium brands and hence its margins. The deal even includes an elegant solution to the thorny problem of having too much equity in the hands of one shareholder.

The terms - a 35/65 per cent split in favour of BAT - seem fair, although the absence of a stock quote for Rothmans means relying on accounting rather than market values. If these do disguise a premium for Rothmans, it does not appear to be significant. The £250m-a-year cost savings do not come cheap at a £400m (£672m) one-off cost, but could well prove conservative. The stock market reaction was not marking up BAT's shares by 15 1/2 per cent. The savings, taxed and discounted back, explain about half of BAT's £1.8bn appreciation. But the market probably rightly assumes other synergies, such as increased marketing and distribution clout.

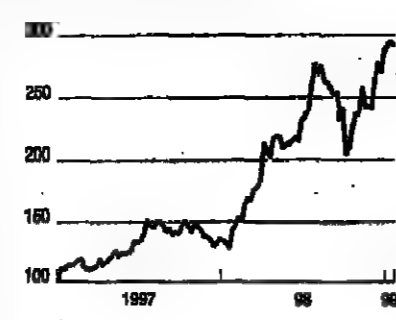
The enlarged group could well face tougher competition problems in Australia, Canada and South Africa than it is letting on, which might force some reshuffling of brands. There may also be some unease over the complex shareholder deal struck with the Rupert family, via its Richmond and Rembrandt vehicles. But, capped at 25 per cent of the voting equity, they will not be able to block ordinary resolutions governing things like rights issues or takeovers.

What does the deal mean for the rest of the industry? One intriguing issue is what happens now to R.J. Reynolds International, the overseas tobacco arm of R.J.R. Nabisco, widely viewed as up for sale. Rothmans or BAT had been seen as ideal suitors. The deal will also mean a much fiercer competitor to world leader Philip Morris, which could well lead to more aggressive pricing where the two clash. More starkly, the new BAT widens the gap between the vast international companies and the largely national players, such as Imperial Tobacco, Gallaher, Seita and Tabacalera.

And even if some of them merge in response, they will still be too small to sit at tobacco's top table.

Lucent Technologies

Share price relative to the S&P Composite



Goldman Sachs

So Jon Corzine has paid the price for Goldman Sachs' aborted initial public offering. The investment bank claims Mr Corzine's decision to step down as co-chief executive is part of a routine management transition. That is hard to believe.

It was Mr Corzine, after all, who championed the highly controversial decision to go public within the partnership. Goldman Sachs says it is united in its attempt to try again this summer. But if that were really true, it would hardly undermine the power base of the man who is still, as co-chairman, supposed to be leading the charge.

The fact that Mr Corzine has come under pressure to step aside in the midst of the process suggests the internal divisions about whether to go public or not remain unresolved. And while it would be a shame if the bank lost his services altogether, at only 52 Mr Corzine could be forgiven if he now left to pursue a political career.

Goldman has also failed to put in place the clear management structure investors might expect of a soon-to-be public company. After yesterday's reshuffle it now has two chairmen, one chief executive and two chief operating officers. That convoluted arrangement seems more designed to satisfy the claims of John Thornton and John Thain, the two up-and-coming operating officers, than to promote simplicity. When it comes to being a public company, Goldman still has much to learn.

Lucent/Ascend

As voice and data communications converge with dizzying speed, suppliers of telecommunications equipment have to reconfigure not only their clients' networks but themselves. Lucent Technologies, a 1996 spin-off from AT&T, is strong on the traditional voice side. But it has long felt at a disadvantage to Cisco Systems, which comes at the industry from the computing end and specialises in data networking equipment. Following yesterday's \$1.4bn purchase of a software company, buying Ascend would plug that gap in Lucent's product portfolio. Ascend even claims to be a step ahead of Cisco with a powerful line of switches that can rapidly shift vast amounts of data over phone lines. Combining such clever technology with Lucent's powerful financial resources and larger sales force should prove a winner.

Swiss equities

Will the Swiss stock market miles out on euro-phoria? Switzerland is not even a member of the EU and shows no signs of joining - partly because short-term Swiss interest rates would probably have to double. Swiss equities are also uncomfortably aware that Finanzplatz Schweiz has more to lose than Luxembourg and London when it comes to EU tax harmonisation. But while the launch of the Euro might be a mild short-term negative for Swiss equities, there is no reason for investors to discount Swiss blue chips because they are not part of the euro-zone. The Swiss National Bank will do all it can to prevent the Swiss franc breaking through the Sfr1.65 per Euro "pain barrier", which should limit the currency risk.

But the most important reason is that pan-European investors cannot afford to ignore a market that includes two of Europe's top three drug stocks (Novartis and Roche), two of its biggest banks (UBS and Credit Suisse), two of the world's biggest insurers (Swiss Re and Zurich Financial Services) and the world's biggest food company (Nestlé). If the euro is a success, the underlying earnings of these companies will benefit as much as their European rivals. If not, global companies like Novartis, Nestlé and ZFS have powerful defensive attractions.

Santer pledges clampdown on fraud to save commissioners

By Neil Buckley and Quentin Peel in Strasbourg

Jacques Santer, European Commission president, yesterday proposed tough new rules of behaviour covering every level of the European Union executive in an effort to save his administration from being sacked.

In an urgent appeal to the European Parliament to ward off a no-confidence vote that would force the resignation of all 20 commissioners who run the executive, he promised a joint effort to stamp out fraud and mismanagement.

A decision on Thursday to censure the Commission - which requires a two-thirds majority - could plunge the EU into chaos, and threaten the timetable for vital reforms to prepare for eastern enlargement.

Mr Santer's plea met widespread scepticism from MEPs, some of whom accused individual commissioners of hiding behind collective responsibility.

The extraordinary confrontation between two central institutions of

the EU follows months of allegations of sleaze and maladministration.

The confidence vote was triggered by parliament's refusal last month to sign off the EU's 1998 accounts - in effect questioning the Commission's financial competence.

With nearly all his team arrayed before angry parliamentarians and a packed public gallery, Mr Santer put forward an eight-point plan to combat fraud.

The centrepiece is three codes of conduct covering commissioners, their relations with their personal offices or "cabinets", and "behavioural rules" for all Commission officials.

The Commission president also called for a joint group of "wise men" from the parliament, the Commission and the 15 EU governments to look at plans for a new independent anti-fraud unit. That approach had earlier been backed by Gerhard Schröder, the German chancellor.

The strongest attack came from Pat Cox, Irish leader of the parliament's third largest group, the Liberals, who said individual commission-

ers should take responsibility for maladministration in their departments. "Making everyone responsible effectively means that no one is responsible," he said.

His party has criticised Edith Cresson, the former French prime minister responsible for education and training, and Manuel Marin, Commission vice-president formerly responsible for the EU's humanitarian aid programme. Abuses have been alleged in both departments.

Willi Görlach, representing German social democrats, attacked Mr Santer for failing to present his plans until forced to do so.

With barely concealed anger, Mrs Cresson rejected criticism of her programmes. Mr Marin, however, admitted that mistakes might have been made.

Mr Santer's concessions last night seemed likely to satisfy parliament's largest group, the Socialists, but it was unclear whether he had done enough to regain the confidence of other groups.

Schröder backs Commission, Page 2

Brazil blocks \$9.7m transfer over state's debt moratorium

By Geoff Dyer in São Paulo

The Brazilian government raised the stakes yesterday in its dispute with Minas Gerais state, which last week announced a moratorium on debt payments, by blocking the transfer of \$9.7m (\$9.7m) to the state government.

The move was the federal government's first direct response to the decision by Minas Gerais, the country's third wealthiest state, to suspend interest payments on \$818.5m of debt to Brasília.

The news that the federal government was keeping its promise to take a hard line with Minas did not immediately ease investor concerns about the impact of the moratorium on Brazil's fiscal austerity plan.

By early yesterday afternoon, shares on the São Paulo stock exchange had fallen 7.34 per cent, although the volume was extremely thin. Spreads of Brazilian international bond issues also continued to widen and economists said that the Minas situation would make it harder for Brazilian borrowers to

return to capital markets. Minas signed a refinancing agreement with the federal government last year, which allows it to repay the \$15.5bn debt over 30 years at an interest rate of around 7 per cent.

Eduardo Guimarães, secretary of the National Treasury, said the transfer of funds had been blocked by "an automatic trigger mechanism" because of non-payment of interest. He said this had happened before with other states, but had never been made public. A further \$455m due to be passed to Minas on January 20 would be blocked if the state did not pay its monthly interest bill of \$37.7m.

The moratorium by Minas, which claims it does not have the money to pay the interest, is the first direct political challenge to the government's austerity strategy of high interest rates and steep budget cuts, designed to win back credibility since the Russian default.

The government has come under strong international pressure not to award any fresh concessions to the states. Standard & Poor's, the rat-

ings agency, warned last week: "Given its own precarious financial condition, the federal government can ill afford to increase its subsidy to the states."

However, if the government takes too tough a line with Minas, it could lose support for the emergency budget cuts it is trying to push through Congress, particularly from the Brazilian Democratic Movement (PMDB), the party of Itamar Franco, centre-left governor of Minas.

State governors allied to the federal government will meet in Maranhão today, when they are likely to attack Mr Franco's decision.

The six opposition governors are due to meet on January 18. However, no other states have said they will follow Minas, and Anthony Garotinho, opposition governor of Rio de Janeiro, the second wealthiest state, has begun to tone down his criticism of the federal government.

In an interview at the weekend, Mr Franco said that Minas would only repay a \$100m eurobond which matures next month if he was able to meet other spending needs first.

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Pope John Paul II is applauded by diplomats accredited to the Vatican following his annual state of the world address yesterday. Reuters

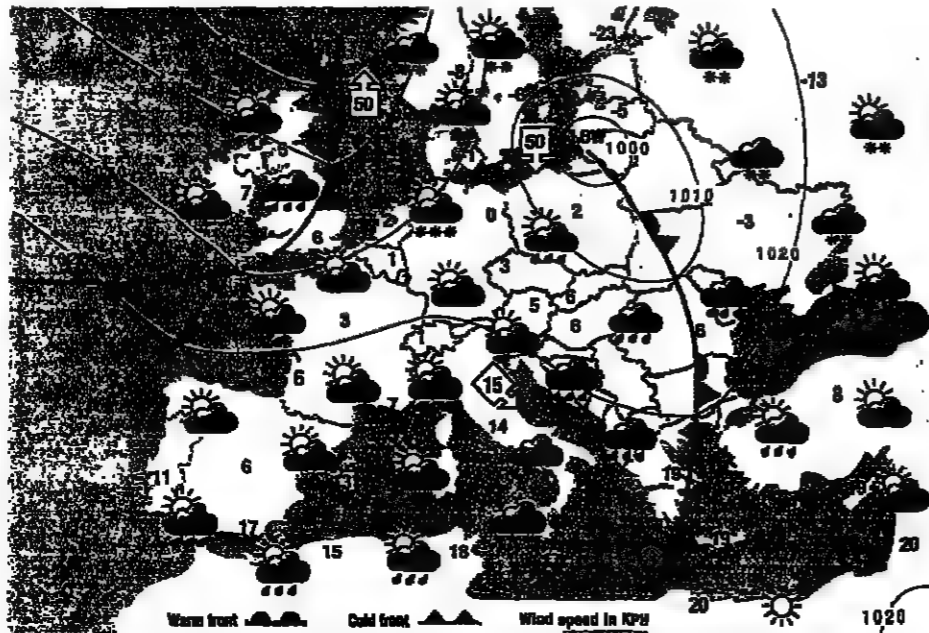
FT WEATHER GUIDE

Europe today

Snow showers over Norway will become prolonged later. Sweden and Denmark will stay showery. The Low Countries will start dry and sunny, but snow is likely by late afternoon. Snow showers are likely over Germany, with sleet or rain over Switzerland and Austria. Most of France will start dry, but there will be rain in the north-west and rain or sleet in the north-east in the afternoon. Southern France will stay dry with sunshine and broken cloud. Some showers are likely in southern Portugal, but the Mediterranean will be generally dry.

Five-day forecast

Bands of rain (with snow in the north) will move across much of Europe, accompanied by strong winds. Southern Europe and the Mediterranean will be dry at first, but will become less settled later in the week, with showers in the east.



TODAY'S TEMPERATURES

Location	Temp
Abu Dhabi	Fair 26
Accra	Fair 31
Algiers	Fair 15
Amsterdam	Snow 2
Athens	Cloudy 19
Atlanta	Sun 16
B. Aires	Fair 25
Bahia	Sun 25
Bangkok	Cloudy 32
Batavia	Fair 26
Bombay	Fair 28
Buenos Aires	Fair 18
Calcutta	Fair 28
Cebu	Fair 28
Chicago	Cloudy 11
Dakar	Fair 24
Dallas	Fair 22
Delhi	Fair 19
Dublin	Fair 13
Edinburgh	Fair 13
Hankow	Fair 22
Hong Kong	Rain 17
Honolulu	Fair 27
Jersey	Fair 19
Johnsburg	Fair 22
Kuala Lumpur	Sun 26
Kobe	Fair 12
Las Palmas	Snow 17
London	Rain 6
Lyons	Cloudy 1
Madrid	Snow 16
Moscow	Fair 11
Mumbai	Fair 13
Nairobi	Fair 17
Osaka	Fair 15
Paris	Fair 13
Perth	Fair 23
Porto	Fair 13
Rangoon	Fair 27
Rio	Fair 13
Rome	Cloudy 14
S. Francisco	Sun 1
Seoul	Sun 31
Singapore	Shower 30
Stockholm	Snow -5
Sydney	Cloudy 1
Taipei	Fair 26
Tel Aviv	Fair 23
Tokyo	Fair 14
Toronto	Snow 6
Vancouver	Rain 8
Vienna	Fair 6
Warsaw	Drizzle 4
Washington	Shower 10
Wellington	Fair 21
Winnipeg	Snow -6
Zurich	Cloudy 4



PolyGram

PolyGram N.V.

has been acquired by



The Seagram Company Ltd.

SG Cowen acted as a financial advisor to PolyGram N.V. in this transaction.

This announcement appears as a matter of record only.

SG

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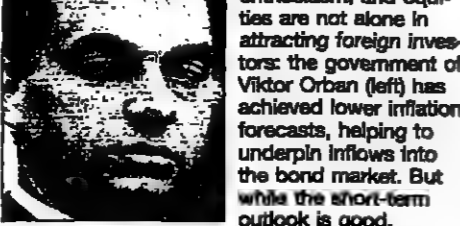
INSIDE

Schneider agrees to acquire Lexel
Schneider, the French electrical equipment maker, has agreed to buy Lexel of Scandinavia for FF80bn (\$1.06bn, €915m). The purchase of the specialist manufacturer will boost its sales in low voltage final distribution. Page 16

Futures and options volume up 10%
The volume of futures and options contracts traded on derivatives exchanges rose 10 per cent last year to 2.2bn. Europe's German-Swiss exchange posted the biggest rise - of 61 per cent - in trading volume, while the Chicago Board of Trade, remained the world's largest derivatives market. Capital Markets, Page 24

Leading HK developer raises \$298m
New World Development, one of Hong Kong's biggest property developers, raised a net HK\$2.32bn (US\$298m) through a share placement to Chow Tai Fook Enterprises. Page 18

Hungary attracts foreign interest
Hungary looks set to benefit from post euro enthusiasm, and equities are not alone in attracting foreign investors: the government of Viktor Orban (left) has achieved lower inflation forecasts, helping to underpin inflows into the bond market. But while the short-term outlook is good, uncertainties in western European economies could hit exports in the second half of the year. Emerging Markets Focus, Page 36



Weather hits European sugar crop
Europe's sugar harvest has been hit by bad weather, and latest estimates put total European Union sugar output at about 17.4m tonnes, compared with last season's record of nearly 19m tonnes. Commodities, Page 26

Outcome of defence talks uncertain
As talks resume between European aircraft and electronics manufacturers after the Christmas break, it remains difficult to forecast the shape of the first deal or its participants. Page 16

EU commercial woodland threatened
A surplus in EU timber and a rise in imports has resulted in only 65 per cent of annual growth in EU commercial woodland being cut, and the widening gap between growth and harvest could lead to a long-term deterioration in European forestry. Commodities, Page 26

L&H founders move into investment
The founders of Lemout & Hauspie Speech Products, the Belgium-based voice technology pioneer, have set up an investment company to focus on long-term, strategic investments in information technology companies. L&H Investment Company will take long-term minority stakes in technology start-ups. Page 16

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OFFICIAL INVESTIGATION INTO GERMAN BANK'S REAL ESTATE DEALS TAKES SHINE OFF RECENT MERGER

Hypo faces property loans probe

By Tony Barber in Frankfurt

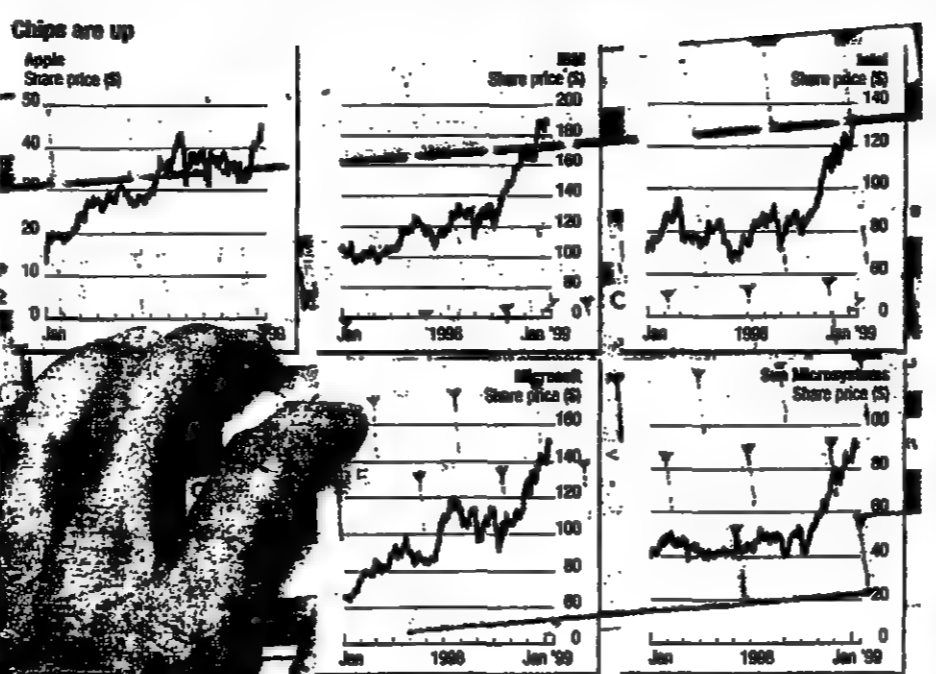
Bayerische HypoVereinsbank, Germany's second largest commercial bank, is under official investigation for possible irregularities in property loans, an area that caused an internal dispute at the bank last year. State prosecutors in Munich, where the bank has its headquarters, said yesterday that the inquiry concerned managers of the former Hypothekbank & Wechselbank, which merged with Vereinsbank in September to create HypoVereinsbank.

The merger was barely two months old when HypoVereinsbank surprised investors with third-quarter results that included risk provisions of DM3.5bn (£1.8bn, \$3.1bn) to cover overvalued real estate projects, mostly in former communist eastern Germany. The real estate projects, run by two Hypo-Bank subsidiaries, Hypo-Real and Hypo-Tecta, went wrong largely because the mortgage market in eastern Germany failed to take off as expected after Germany's reunification in 1990. The affair has taken the gloss off a merger that was supposed to show the ability of German banks to restructure and improve efficiency and profitability. Prosecutors said they hoped

their investigation would determine whether Hypo-Bank officials had extended property loans without arranging necessary valuations. They said they had confiscated files relating to the loans from HypoVereinsbank's offices in a search last month. Last year, more than six months before completion of the merger, Hypo-Bank took a separate provision of DM1.5bn for losses in property deals. Hypo officials said this was enough to address the problem, but Albrecht Schmidt, chief executive of HypoVereinsbank, formerly chairman of Vereinsbank, said in October it had been far too little.

The combined DM5bn in special provisions dented HypoVereinsbank's reputation as one of Europe's most cautious banks. In contrast to some competitors, it had steered clear of exposure to hedge funds and emerging markets. A quarrel also erupted between Mr Schmidt and Eberhard Martini, former chairman of Hypo-Bank. Mr Schmidt blamed Mr Martini and his Hypo-Bank colleagues for the overvalued property deals. Mr Martini, who lost management responsibilities after the merger but gained a seat on HypoVereinsbank's supervisory board, hit back at Mr Schmidt by publicly describing

him as unfit to run a bank. The two later patched up their dispute, but on terms that appeared to leave Mr Schmidt the stronger. HypoVereinsbank's supervisory board unanimously approved his proposal for the extra DM3.5bn in risk provisions and supported his view that some heads should roll because of the overvalued property deals. Underlying the dispute was the perception of some former Hypo-Bank managers that the merger was not a true marriage of equals. Among other imbalances, Hypo-Bank was given only five of the 14 seats on the management board.



Intel leads the way as computer industry celebrates festive rush

Strong seasonal PC sales have raised hopes of good times in Silicon Valley, reports Louise Kehoe in San Francisco

Stronger than expected demand for personal computers in the final months of last year has set the scene for robust fourth quarter results from US high technology companies. Intel and Advanced Micro Devices, the two leading suppliers of microprocessor chips used by the PC industry, are both expected to report strong results this week. Intel, which is due to report its results tomorrow, will be the prime beneficiary of the strong PC market. Wall Street analysts are projecting earnings of \$1.07 a share for the world's largest chipmaker, up from 96 cents a share a year ago. Questions remain about Intel's ability to maintain market dominance in the fast growing, low-cost segment of the PC market, for machines selling for under \$1,000. However, Intel's recent introduction of new chips aimed at this range of PCs signals that the company is giving no ground to competitors.

Nonetheless, rival AMD is expected to report solid profits for the last quarter, estimated at 16 cents a share, versus a loss of 9 cents a share in the same period a year ago. AMD is also set to introduce this week a new generation of higher performance microprocessors to compete with Intel's Pentium II chips. Intel is also racing ahead. Yesterday, the company said its third generation of Pentium chips will be launched in the current quarter under the brand name Pentium III. The new chips are expected to provide enhanced images and sound in high-end PCs. For other US chipmakers the outlook is less clear. Slow sales in Asia and uncertainties about demand for cellular telephones - another industry with a big appetite for chips - may produce mixed results for the final quarter of 1998. However, projections for the year ahead are encouraging, with analysts expecting the world semiconductor market to resume its traditional growth rate of about 15 per cent after a decline last year.

Apple Computer, which is set to release its results tomorrow, said last week that it had completed its fifth consecutive profitable quarter, after heavy losses in the previous year. Sales of Apple's iMac PCs topped 800,000 units last year, Steve Jobs, Apple chief executive, told the Mac World trade fair in San Francisco. Motorola, which supplies microprocessors for the iMac, should get a boost from Apple's new found prosperity. However, this may be offset by problems in its cellular telephone business. Microsoft, with its dominant position in the market for PC software, benefits from all PC sales. Its Windows operating system is installed on most PCs and Microsoft is also the leading supplier of software for Apple's iMac. Despite expected strong results for the final quarter of 1998, questions hang over the future performance of the PC industry. Average selling prices for PCs dipped below \$1,000 for the first time last month, according to market analysts. With \$600 PCs expected to be widely available in the US within a few months, the profit margins of PC manufacturers and their component suppliers could be squeezed.

Lucent to acquire telecoms software maker for \$1.5bn

By Roger Taylor in San Francisco, William Lawrie in New York and Alan Carter in London

Lucent Technologies, the world's largest telecommunications equipment manufacturer, yesterday announced the \$1.48bn acquisition of Kenan Systems, a leading maker of telephone billing and customer care software.

The announcement came as Lucent investors were digesting the disclosure in the Financial Times that Lucent is close to announcing a merger with Ascend Communications, a US data networking group. Yesterday both Lucent and Ascend declined to comment but people close to the talks said the deal remained on track to be announced within days.

On Wall Street yesterday morning Ascend's share price rose 5% to \$76, giving it a market capitalisation of more than \$1.6bn, while Lucent shares fell 2% to \$112. Shares in Alcatel, the French telecoms manufacturer which announced an alliance with Ascend six months ago, fell 6%, or more than 5 per cent, to \$116 on the news of the link-up. Analysts said an acquisition would damage Alcatel's competitive position as well as casting doubt over the future of the alliance. The news also moved the share prices of European competitors, with Siemens of Germany down 2% to \$110.50, Ericsson of Sweden down 3% to \$120.50 and Nokia of Finland up 2% to \$118.90.

Discussing the Kenan acquisition yesterday, Dan Stanzione, chief operating officer at Lucent, said it fitted well with the company's strategy of targeting the fastest-growing parts of the telecoms market. He said the communications software market was growing at 25 per cent a year and would be worth about \$25bn in 2000. Kenan Systems is the leading provider of third party billing and customer care software, a market growing at 30 per cent a year. Mr Stanzione added that billing and services software was the area in which telecoms companies were experiencing the greatest need for better products. With the growth of competition in the telecoms sector, operators were increasingly seeking to differentiate themselves by the quality of their billing - for instance, the ability to itemise a bill and analyse a customer's spend in different ways. Kenan's software can, for example, recognise trends and give early warning that a customer may be preparing to leave the network. Mr Stanzione would not comment on the talks with Ascend but confirmed that Lucent was interested in acquiring data networking businesses.

American and Japan Airlines set for alliance

By Alexandra Harvey in Tokyo

American Airlines is expected to announce today a broad alliance and code-sharing deal with Japan Airlines. It would be the latest in a series of bilateral agreements bringing JAL closer to membership of Oneworld, the global airline grouping.

Last month Japan's largest airline initiated code-sharing talks with British Airways, which with American Airlines heads the Oneworld alliance. JAL has bilateral ties with all the other members of Oneworld, which also includes Canadian Airlines, Cathay Pacific and Qantas. JAL declined to comment on the status of negotiations with both American and BA.

Analysts said the recent move by All Nippon Airways, Japan's second-largest airline, to join the rival Star Alliance, which includes United Airlines and Lufthansa, had increased pressure on JAL to secure a place in Oneworld.

If approved by regulatory authorities in Japan and the US, the alliance would give customers of both airlines easier access to the 290 cities served by American Airlines and 70 cities served by JAL and its units. Analysts said JAL stood to benefit from increased traffic from American customers to cities in Asia, as well as the cost savings from joint maintenance, ticketing and airport facilities. It would also allow American better access to Japan's overseas travellers.

The announcement comes nearly a year after the two carriers first agreed code-sharing and joint reservation agreements. At that time, JAL and American agreed to expand their frequent-flyer programme to co-operation on reservation systems, cargo operations and code-shared flights.

However, talks had been bogged down by problems setting up the computerised joint reservation system, concerns about the codesharing agreement's negative effect on JAL's relations with other carriers, and other matters related to the size of the deal, JAL said. The agreement essentially paves the way for the Japanese carrier's entry into the Oneworld alliance. However, Isao Kaneko, JAL president, has denied plans for a global link-up.

This announcement appears as a matter of record only

Institutional Buy-out of Amtrak Express Parcels £86,000,000

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<p>\$70,000,000</p> <p>AT&T</p> <p>has agreed to acquire</p> <p>Tele-Communications, Inc.</p> <p>and will issue AT&T common stock for shares of TCI Group and newly created AT&T holding stock for shares of Liberty Media Group and TCI Venture Group</p>	<p>\$36,500,000</p> <p>CENTELER CORPORATION</p> <p>has merged with</p> <p>Danier-Banc AB</p>	<p>\$34,400,000</p> <p>UNITED STATES OF AMERICA</p> <p>has merged with</p> <p>Northwest Corporation</p>	<p>\$32,000,000</p> <p>BAT INDUSTRIES</p> <p>Acquirer of financial services businesses and has announced merger with</p> <p>Zurich Financial Services</p>	<p>\$11,700,000</p> <p>AMP</p> <p>has agreed to be acquired by</p> <p>Tyco International Ltd.</p>	<p>\$11,300,000</p> <p>AT&T</p> <p>has acquired</p> <p>Teleport Communications Group Inc.</p>
<p>\$9,900,000</p> <p>H.E. Ahmanson & Company</p> <p>has been acquired by</p> <p>Washington Mutual, Inc.</p>	<p>\$9,300,000</p> <p>IMM</p> <p>has merged with</p> <p>Istituto Bancario San Paolo di Torino</p>	<p>\$9,100,000</p> <p>NORTEL</p> <p>NORTHERN TELECOM</p> <p>has acquired</p> <p>Bay Networks, Inc.</p>	<p>\$8,000,000</p> <p>SOUTHERN ELECTRIC</p> <p>has agreed to merge with</p> <p>Scottish Hydro-Electric plc</p>	<p>\$7,200,000</p> <p>STAR BANC CORPORATION</p> <p>has merged with</p> <p>Pinter Corporation</p>	<p>\$6,800,000</p> <p>WESTERN ATLAS</p> <p>has merged with</p> <p>Baker Hughes Incorporated</p>
<p>\$6,600,000</p> <p>INTERNATIONAL HARVARD</p> <p>has agreed to merge with</p> <p>Union Camp Corporation</p>	<p>\$6,200,000</p> <p>France Telecom</p> <p>acquires with merger to their 50 percent stake in</p> <p>Sprint Corporation and the acquisition of Sprint and two leading French Sprint FON and Sprint PCS</p>	<p>\$5,200,000</p> <p>GRACE</p> <p>has merged in</p> <p>Cycotec</p> <p>subsidiary with</p> <p>Sealed Air Corporation</p>	<p>\$5,400,000</p> <p>Allegiance</p> <p>has agreed to merge with</p> <p>Cardinal Health, Inc.</p>	<p>\$5,400,000</p> <p>KRUPP</p> <p>provided French Division to Thyssen AG on merger</p>	<p>\$5,300,000</p> <p>AGF</p> <p>has been acquired by</p> <p>Alliance AB Holding</p>
<p>\$5,000,000</p> <p>Continental Airlines</p> <p>has sold a majority voting interest in and entered into a strategic alliance with</p> <p>Northwest Airlines Corporation</p>	<p>\$4,500,000</p> <p>AMP</p> <p>has agreed to acquire</p> <p>National Provident Institution</p>	<p>\$4,500,000</p> <p>First Nationwide Holdings Inc.</p> <p>has merged with</p> <p>First Nationwide Holdings Inc.</p>	<p>\$4,300,000</p> <p>NORDDANKEN</p> <p>has merged with</p> <p>Merita Oy</p>	<p>\$4,100,000</p> <p>Copstar Broadcasting Corporation</p> <p>has agreed to be acquired by</p> <p>Chancellor Media Corporation</p>	<p>\$4,000,000</p> <p>CallEnergy Company, Inc.</p> <p>has agreed to acquire</p> <p>MidAmerican Energy Company</p>
<p>\$4,000,000</p> <p>OCY</p> <p>has sold</p> <p>McCon Corp.</p> <p>to</p> <p>ION Energy, Inc.</p>	<p>\$3,600,000</p> <p>ALCOA</p> <p>has acquired</p> <p>Aluma, Inc.</p>	<p>\$3,600,000</p> <p>COUNTAIDS</p> <p>has been acquired by</p> <p>Alcon Nobel NV</p>	<p>\$3,700,000</p> <p>Johnson & Johnson</p> <p>has acquired</p> <p>DePuy, Inc.</p>	<p>\$3,700,000</p> <p>The St Paul</p> <p>has acquired</p> <p>USF&G Corporation</p>	<p>\$3,600,000</p> <p>The U.S. Department of Energy</p> <p>has sold its interest in</p> <p>The Elk Hills Field Naval Petroleum Reserve No. 1</p> <p>to</p> <p>Occidental Petroleum Corporation</p>
<p>\$2,700,000</p> <p>DEPOSIT GUARANTEE CORP.</p> <p>has been acquired by</p> <p>First American Corporation</p>	<p>\$2,700,000</p> <p>Enxco Submarine</p> <p>acquisition of security interests by</p> <p>ENXCO, S.A.</p>	<p>\$2,600,000</p> <p>CBS Corporation</p> <p>has sold its radio broadcasting operations to</p> <p>CBS Corporation</p>	<p>\$2,600,000</p> <p>DUPONT</p> <p>has acquired the 50 percent interest in</p> <p>The DuPont Merck Pharmaceutical Company owned by</p> <p>Merck & Co., Inc.</p>	<p>\$2,500,000</p> <p>EVI</p> <p>has merged with</p> <p>Weatherford Enterprises, Inc.</p>	<p>\$2,400,000</p> <p>TELECOM</p> <p>has agreed to acquire</p> <p>Telecom Austria</p>
<p>\$2,300,000</p> <p>Chlor Chemicals</p> <p>has acquired</p> <p>Allied Colloids Group plc</p>	<p>\$2,260,000</p> <p>Enxco</p> <p>has been acquired by</p> <p>Enxco Corporation</p>	<p>\$2,200,000</p> <p>ABB</p> <p>has agreed to acquire</p> <p>Esig Bailey Process Automation N.V.</p>	<p>\$2,040,000</p> <p>Sedgwick Group</p> <p>has been acquired by</p> <p>Marsh & McLennan Companies, Inc.</p>	<p>\$1,940,000</p> <p>DIAGEO</p> <p>has sold the</p> <p>Dewar's Scotch whisky and Bannatyne gin brands to</p> <p>Bacard Limited</p>	<p>\$1,880,000</p> <p>Heinz-Angelo</p> <p>has agreed to acquire the</p> <p>brockmeyer operations of</p> <p>Fulter Publishing Company</p>
<p>\$1,800,000</p> <p>Nationwide Mutual Insurance Company</p> <p>has acquired</p> <p>Allied Group, Inc. and affiliates</p>	<p>\$1,500,000</p> <p>CVS</p> <p>has acquired</p> <p>Arbor Drugs, Inc.</p>	<p>\$1,415,000</p> <p>Husmann International, Inc.</p> <p>has sold with respect to the acquisition of</p> <p>Husmann International, Inc. and</p> <p>Miles, Inc.</p>	<p>\$1,400,000</p> <p>Isop International N.M.</p> <p>has acquired</p> <p>Inland Steel Company</p> <p>from</p> <p>Inland Steel Industries, Inc.</p>	<p>\$1,350,000</p> <p>United States Satellite Broadcasting Company, Inc.</p> <p>has agreed to be acquired by</p> <p>Hughes Electronics Corporation</p>	<p>\$1,200,000</p> <p>Nestlé</p> <p>has acquired</p> <p>Spillers Petfoods</p> <p>from</p> <p>Colgate PLC</p>
<p>\$1,125,000</p> <p>Johnson</p> <p>has acquired</p> <p>Dow Chemicals Group</p> <p>from</p> <p>The Dow Chemical Company</p>	<p>\$1,120,000</p> <p>AV</p> <p>has acquired</p> <p>American Digital Services, Inc.</p>	<p>\$1,100,000</p> <p>APR</p> <p>has acquired</p> <p>APR Resources, Inc.</p> <p>from</p> <p>CBPower</p> <p>from</p> <p>Enxco Corporation</p>	<p>\$1,100,000</p> <p>Bayer</p> <p>has acquired</p> <p>Orion Diagnostics Corporation</p> <p>from</p> <p>CHIRON</p>	<p>\$1,100,000</p> <p>Deutsche Post AG</p> <p>has agreed to acquire</p> <p>Danske Holding AB</p>	<p>\$1,065,000</p> <p>PLACER DOME INC.</p> <p>has agreed to acquire</p> <p>Gekko Gold Corporation</p>
<p>\$1,050,000</p> <p>Government of Colombia</p> <p>has sold a 55 percent interest in</p> <p>Electronics and Electronics</p> <p>to</p> <p>Houston Industries, Inc. and</p> <p>Electronics de Caracas</p>	<p>\$1,000,000</p> <p>CYNANT</p> <p>has agreed to sell</p> <p>Concord Software</p> <p>to</p> <p>Hewlett SA</p>	<p>\$1,000,000</p> <p>SKY</p> <p>has agreed to acquire</p> <p>Manchester United PLC</p>	<p>\$1,000,000</p> <p>Hoechst</p> <p>has sold with respect to pending damages of</p> <p>Chlorine AG</p>	<p>\$1,000,000</p> <p>Shell Oil Company and</p> <p>Shell Refining, Inc.</p> <p>to form</p> <p>Motiva Enterprises LLC</p>	<p>\$1,000,000</p> <p>Shell Oil Company</p> <p>has entered into a joint venture of its</p> <p>refining and marketing operations and its</p> <p>refining and marketing operations with</p> <p>Equilon Enterprises LLC</p>

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Credit Suisse First Boston.

Mergers & Acquisitions

\$11,700,000,000 has agreed to be acquired by Tyco International Ltd. Pending	\$9,100,000,000 NORTEL has acquired Bay Networks Inc. September 1998	\$1,635,000,000 GartnerGroup Leveraged Recapitalization Pending Undisclosed has sold its GartnerLearning subsidiary to Harcourt General, Inc. August 1998	\$1,100,000,000 CHIRON has divested its diagnostic business to Bayer December 1998	\$1,008,000,000 BankAmerica Merchant Services has agreed to merge with BankAmerica Corp. Pending
\$1,000,000,000 CENDANT has agreed to divest Cendant Software to Heves SA Pending	\$795,000,000 Vanstar has agreed to merge with InaCom Corp. Pending	\$493,000,000 PLATINUM has agreed to acquire MEMCO Software Ltd. Pending	\$455,000,000 FAIRCHILD has agreed to acquire the power device semiconductor business of Samsung Electronics Pending	\$315,000,000 SAFARI has been acquired by Alcatel December 1998
\$250,000,000 berkeleynetworks has been acquired by FORE Systems, Inc. September 1998	\$133,000,000 LYC'S has acquired WhoWhere?, Inc. August 1998	\$122,000,000 INE has agreed to acquire Open Solutions, Inc. Pending	\$58,800,000 synopsys has divested its Viewlogic subsidiary to Sprout Group October 1998	Undisclosed netdynamics has been acquired by Sun Microsystems, Inc. August 1998

Strategic Financings

\$1,750,000,000 COMPUTER ASSOCIATES Senior Notes April 1998	\$490,000,000 ASPECT Zero Coupon Convertible Subordinated Debentures August 1998	\$400,000,000 GartnerGroup Unsecured Recapitalization Financing Pending	\$400,000,000 VERIO High-Yield Notes November 1998	\$350,000,000 COBALT Spinout Financing December 1998
\$238,050,000 BROADCOM Common Stock October 1998	\$172,040,000 NEON Common Stock December 1998	\$131,905,000 VERIO Initial Public Offering May 1998	\$129,400,000 LYC'S Common Stock June 1998	\$100,000,000 MICRON Senior Unsecured Revolving Credit Facility September 1998
\$74,825,000 micro muse Common Stock July 1998	\$63,300,000 beyond.com Convertible Subordinated Notes November 1998	\$50,000,000 HMT Senior Secured Revolving Credit Facility November 1998	\$45,500,000 PILOT Initial Public Offering August 1998	\$41,400,000 ENC Initial Public Offering July 1998
\$37,950,000 ACTUATE Initial Public Offering July 1998	\$33,500,000 Village Series E Convertible Preferred Stock November 1998	\$15,000,000 Cohesive Leveraged Acquisition Financing September 1998	\$15,000,000 SPL Senior Secured Revolving Credit Facility August 1998	\$12,000,000 Aptix Series E Convertible Preferred Stock October 1998

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COMPANIES & FINANCE: THE AMERICAS

EQUITIES E-TRADE RESULT BUOYS SECTOR THOUGH SCALE OF WIDESPREAD GAINS LEADS TO ALARM AMONG STRATEGISTS

Internet stocks continue surge on Wall St

By John Authers in New York

Internet stocks continued their unprecedented rally on Wall Street yesterday, as E-Trade, the largest specialist Internet broker, announced better results for the fourth quarter than expected, while brokers upgraded their forecasts for America Online, the largest Internet service provider.

Equity strategists were alarmed, however, by the scale of the gains, which they said relied on the momentum behind the sector, rather than on their fundamentals.

Richard Cripps, chief

equity strategist at Legg Mason in Baltimore, said: "This is way overdone. It's an area where price targets are completely out of the realm of the day-to-day, and that's become acceptable because the stocks are rising. It's a momentum play."

He said that the market was discounting growth forecasts for 10 years into the future.

E-Trade suffered a loss of \$13.1m for the quarter, having made a profit of \$5.12m a year earlier.

However, its loss was considerably less than expected, and analysts were impressed by its growth in revenue, up

from \$54m to \$68.07m, and by its growth in new accounts.

The company had 676,000 accounts by the end of the quarter, more than double the figure for a year earlier.

As a result, its shares gained 15 per cent in early trading, up \$9.35 at \$77.35, its share price at the end of last month, once adjusted for a stock split, was \$46.8.

Bill Burnham, electronic commerce analyst at Credit Suisse First Boston, estimated that each account was costing E-Trade between \$300 and \$400 to acquire, through heavy advertising.

Mr Burnham estimated

that E-Trade could spend as much as \$500 on acquisition costs and still break even over the lifetime of each account.

But he added that its share price had "entered Internet stock realm". He said: "It's not trading on fundamentals any more. It will be much more sensitive to Internet catalysts for the time being."

AOL shares gained 8.3 per cent, up \$12.45 at \$157, following an upgrade from Merrill Lynch, which raised its 12- to 18-month price target to \$195 in recognition of the company's mature business model.

Its previous target, set in

October last year, was \$75, after adjusting for a 2-for-1 stock split.

Shares in Amazon.com, the largest Internet retailer, gained more than 10 per cent at one point, and by mid-session stood at \$17.35, up 8 per cent for the morning. It started the year at \$10.74, after a stock split was taken into account, and has logged gains in excess of 10 per cent for all but one trading day so far this year.

Broadcast.com, which broadcasts video conferences over the web, announced a 2-for-1 stock split yesterday, which helped push its share price up by more than 30 per

cent, gaining \$5.64 to \$25.74.

The decision by Compaq, the computer manufacturer, to buy Shopping.com for \$220m also buoyed the sector. The deal helps the e-commerce capabilities of Compaq's Altavista search engine.

The news acted as a catalyst for rises in several other large Internet stocks, even while the main market indices were down for the day. By midday, the largest Internet search engines had recorded double-digit gains, with Excite up 18 per cent, Yahoo! up 12 per cent, Lycos up 9 per cent and Infoseek up 21 per cent.

Campbell Soup shares fall 12% after warning

By Richard Tomkins in New York

Shares in Campbell Soup tumbled 12 per cent to \$45.12 in early afternoon trading yesterday after the company warned that profits had been badly hit by lower-than-expected soup sales.

Campbell has recently been trying to increase sales by investing heavily in advertising, marketing, packaging and new products. But yesterday it appeared that its efforts had backfired.

Demand for its traditional condensed soups had slowed in the quarter ending this month, it said. As a result, earnings per share for the year to July were likely to be reduced by 18 cents to 23 cents, leaving them about 10 per cent below analysts' expectations of \$2.13.

Campbell blamed the poor demand for condensed soups on the unusually warm weather in much of the US in November and December, though analysts said it could signify deeper-seated difficulties.

Under David Johnson, former chief executive, the

company lifted earnings impressively by cutting costs, selling underperforming businesses and raising prices. Dale Morrison, his successor, has tried to build on this by increasing volumes, but the soup market is mature and growth elusive.

Erika Gritman Long, analyst at J.P. Morgan, said: "They had strong programmes this fiscal year in terms of merchandising, marketing, packaging and new products, and they are still not getting the kind of growth they would like."

John McMillin, at Prudential Securities, drew a parallel with Gerber Products, a baby-food company that Mr Johnson streamlined but that was also unable to deliver significant volume growth after he left. The company was taken over by Sandoz of Switzerland.

"Now the question is whether the same thing will happen twice and bring a happy ending for Campbell's shareholders as well," Mr McMillin said.

Campbell is 48 per cent owned by the Dorrance family.

Twist to Goldman IPO as Corzine steps down

By Tracy Corrigan in New York

For Goldman Sachs, the long and winding road to a public offering took another unexpected twist yesterday.

Jon Corzine, the man most closely associated with the abandonment of the firm's 130-year partnership, is to step down as co-chief executive officer in favour of Hank Paulson, who has shared the role with Mr Corzine since June.

The firm also appointed two chief operating officers, John Thornton and John Thain, both of whom were already viewed as potential successors to the throne, and set up a new management committee.

But it is unclear whether the new structure of the firm will remain in place until the company goes public. Either way, more changes are afoot, since the promotion of Mr Thornton and Mr Thain has marked them as the next leaders in a transition process now under way.

In an internal memo, Mr Corzine and Mr Paulson told staff: "The best time for transition is during a period

of great strength. We believe these appointments and the evolution of the governance of the firm will strengthen our management focus and keep the firm on a solid foundation to serve our clients, develop our people and execute our strategy."

However, the timing is precisely what has surprised some onlookers. While Mr Paulson described it as "a window of opportunity", others saw Goldman's current status as rather tricky. The firm cancelled its planned initial public offering in September due to adverse market conditions, which had slashed the potential valuation of its stock.

The company's commitment to pursuing the IPO has not wavered publicly, but the postponement has proved unsettling internally, according to people at the firm.

The changes are also likely to raise further questions over how the partnership's culture will change once it becomes a public company. Goldman has traditionally been viewed as the crème de la crème of Wall

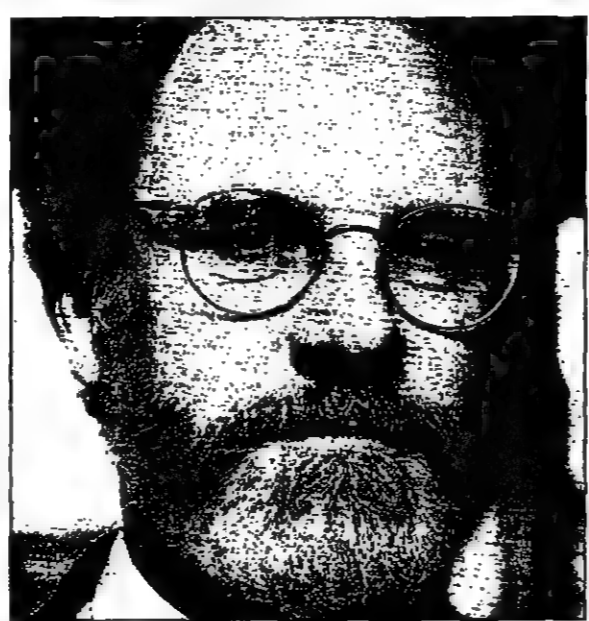
Street firms, able to hire the best partly because it could offer the unique kudos of a Goldman Sachs partnership.

But the partnership structure has become unwieldy as the firm has expanded - there are 245 partners. And the capital structure has also become an issue, since limited partners withdrew capital after a bad year in 1994.

The near-unanimous agreement among partners to push ahead with the IPO last summer was viewed as a triumph for Mr Corzine, but the unexpected timing of Mr Corzine's partial withdrawal is likely to fuel worries that the split between those who wanted to go public and those who were reluctant to abandon the partnership has not been healed.

Mr Paulson yesterday said that disagreements over the IPO had not been a factor in the move. It is "absolutely not true", he said. "This firm came together over the IPO."

He also insisted there had been no change in the firm's strategy of being the world's premier independent investment bank and again ruled out a mega-merger with



Jon Corzine stepping down in favour of colleague Ashley Ashwood

another large financial institution.

Goldman's new 15-strong management committee will meet every Monday and a new partnership committee will oversee personnel developments. It is also charged with preserving the culture of the firm as it becomes a public company.

Mr Corzine said he thought the most important task at hand was "effectively leading this public offering". Mr Paulson said: "We will

move forward at the earliest possible time when it's appropriate."

In fact, despite having to cope with the dual pressures of the transition towards public status and what were widely considered the worst market conditions for 50 years last autumn, its business and performance has held up well. But as one senior banker said: "I'd love to think that it's all over for Goldman. But they'll get it together, they always do."

Revlon to cut up to 1,200 jobs

By Richard Tomkins

Revlon, the New York-based cosmetics group, yesterday said it would cut up to 1,200 jobs from its worldwide workforce of 14,000 in response to weak demand for its products and flagging profits.

It said the job cuts and other restructuring efforts would result in charges of up to \$20m, of which \$40m would fall in the quarter just ended and the rest this year.

The moves were expected to produce cost savings of \$15m-\$20m this year, it said, rising to \$30m-\$40m in the longer term.

It added that it was "comfortable" with analysts' earnings estimates of \$1.65 per share this year before restructuring charges.

Revlon's problems emerged last October when the US maker of ColorStay lipstick and Age Defying make-up warned that underlying third-quarter profits had collapsed because of poor sales.

It blamed a number of factors, including weak demand in international markets and cuts in purchasing by big US drug store chains, which had been cutting inventories following a wave of mergers.

At the time, it announced plans to close three international plants, but declined to name them or say how many jobs would go.

Yesterday it said it was taking further actions to restructure the company which would result in job cuts in the US and overseas across all parts of the business.

Smart-card group plans move to US

By George Graham, Banking Editor

Chip Application Technologies, an Australian developer of stored-value smart cards, is planning to move its business to the US to take advantage of the much wider market for smart cards in north America.

CAT, which floated on the Australian stock exchange 18 months ago, is proposing that existing shareholders should swap their shares for

holdings in a new US subsidiary, which will eventually apply for a US listing.

The company, which was previously known as Card Technologies Australia, is also in negotiation with several large US companies which it expects to invest in the business and license its smart-card software.

CAT said it was likely to generate more of its revenues over the next 10 years from north America than from any other world market. It also argued that the

entire smart-card business was "rapidly being Americanised, with most of the leading international standard setting companies being based in America."

David Mac Smith, chief executive, said: "The company has the opportunity to be a very significant player in the international multi-application smart-card business, and if it is to succeed, it must be where the action is and where government, the investment community and businesses best under-

stand our business." Ironically, a large multi-bank experiment with stored-value cards in New York recently ended with very low acceptance, whereas CAT launched one of the first financial successes in the field with the Transcard bus pass in western Sydney.

The card is contactless, which means it works much faster than cards which have to be swiped or inserted into a terminal.

The bus pass, which carries a loyalty bonus programme, is combined with separate programmes for local retailers.

The centre of the CAT technology is the ability to run multiple applications on the same card - or indeed in a chip inside a wristwatch, since the company has partnered Swatch of Switzerland in electronic ticketing schemes.

This system is reported to have been selected by one of the five largest US banks for its multi-application loyalty card.

NEWS DIGEST

FOREST PRODUCTS

Tembec buys Canadian pulp group in C\$70m deal

Tembec, the Canadian integrated forest products company, yesterday acquired Crestbrook, a British Columbia pulp producer, in an agreed C\$70m (US\$46.4m) cash and shares deal. Analysts have been anticipating further mergers in the fragmented Canadian pulp sector, but depressed pulp prices have left few attractive takeover targets and little cash in the hands of potential buyers.

Yesterday's deal contains an unusual clause which entitles Crestbrook shareholders to an additional one-off payment of up to C\$1.50 per share in 2000 if the average price for NBSPK pulp exceeds US\$549 per tonne. The current price is about US\$500 per tonne.

Crestbrook shares rose 75 cents to C\$4.50 in midday trading yesterday, while Tembec shares fell 30 cents to C\$8.45. Edward Alden, Toronto

RETAIL

Wal-Mart appointment

Wal-Mart Stores, the world's biggest retailer, has promoted H. Lee Scott to vice chairman and chief operating officer, apparently putting him line to become the company's chief executive when David Glass, 63, retires.

Mr Scott, 49, had been president and chief executive of the group's discount stores. Richard Tomkins, New York

CONTRACTS & TENDERS

ETBA Finance
ECONOMIC & FINANCIAL SERVICES S.A.

ANNOUNCEMENT

FIRST INTERNATIONAL PUBLIC TENDER FOR SALE OF THE ASSETS OF "HELLENIC TARTARIC ADVANCED TECHNOLOGY INDUSTRY S.A." known as "HELLENIC TARTARIC" (ETBA FINANCE ECONOMIC & FINANCIAL SERVICES S.A., established in Athens (1 Epanastolou & Vasil. Constantinou Str.), is to be sold by public tender, by virtue of Decision No. 2827/98 of the Hellenic Court of Appeal, of the above company which is in special liquidation as per article 46a of Law 1802/1990, as supplemented by article 14 of Law 2000/1991, as currently in force.

ANNOUNCEMENT

A First International Public Tender, with sealed, binding offers for the sale of the total assets of "HELLENIC TARTARIC ADVANCED TECHNOLOGY INDUSTRY S.A." known as "HELLENIC TARTARIC".

Summary data on the company under liquidation:

"HELLENIC TARTARIC ADVANCED TECHNOLOGY INDUSTRY S.A." known as "HELLENIC TARTARIC" owns an industrial complex situated in the industrial area of Marousi in Attica on a plot of land about 10,000m² in area. The land's buildings cover an area of 4,000m² of the plot with a built surface area of 4,000m². The industrial equipment of the factory is modern and dates over the past five years. The factory produces tartaric acid and 98% alcohol from wine residues.

Terms of the Tender

- The tender will be conducted in accordance with the provisions of article 46a of Law 1802/1990 as supplemented by article 14 of Law 2000/1991, as currently in force, and the provisions of the present Announcement and the terms contained in the Offering Memorandum, regardless of whether or not they are repeated in the present. The submission of a binding offer implies acceptance of all these terms.
- Interested parties may obtain a detailed Offering Memorandum and ask for any other information on a signature of a confidentiality agreement.
- Interested parties are invited to submit a sealed, binding offer to the Chairman, notary public assigned to the tender, Mrs. Marietta A. Athanassiou at Marousi, Marousi 15125, by 12 noon on Monday, 15 February 1999.
- Offers must be submitted in person or by a legally authorized representative. Offers submitted beyond the time limit will not be accepted or taken into consideration. Offers must contain the name of the tenderer, the amount of the offer, the method of payment of the offer and the tenderer's commitment to the tender. The tenderer must also indicate whether the tender is submitted in cash or by bank transfer. The tenderer must also indicate whether the tender is submitted in cash or by bank transfer. The tenderer must also indicate whether the tender is submitted in cash or by bank transfer.
- Offers must be accompanied, on penalty of cancellation of the offer, by a letter of guarantee from a first class bank legally operating in Greece, to the amount of one hundred million drachmas (EUR 100,000,000) as per provision contained in the Offering Memorandum, valid until the return of the tender and guaranteeing both the submission of the offer submitted and any improvements made to it.
- The offer will be opened by the above-mentioned notary in her office at 14:00 hours on Monday, 15 February 1999. Interested parties who have submitted binding offers within the time limit are entitled to attend the opening of the offer.
- The sealed, binding offer must specify the offer amount, in what currency and the method of payment (whether in cash or on credit). In the event that payment is to be on credit the offer must state the number of instalments, when they are to be paid, the interest rate and the tenderer's commitment to the tender. The tenderer must also indicate whether the tender is submitted in cash or by bank transfer. The tenderer must also indicate whether the tender is submitted in cash or by bank transfer. The tenderer must also indicate whether the tender is submitted in cash or by bank transfer.
- The highest bidder to the tender will be the one whose offer will be accepted by the tenderer ETBA S.A., following the proposal to the offer by the tenderer, to be the most satisfactory for the creditors of the company in liquidation.
- The offerer who makes up the company's assets shall be sold "as is and where is" and, more specifically, in their actual and accepted condition and at the price when they are situated on the day of signature of the sale contract. The tenderer and the creditor are not responsible for legal or actual defects or deficiencies of any kind of the assets for sale, nor for any incomplete or inaccurate description of them in the Offering Memorandum. Interested parties, should, with their own means, diligence and responsibility, and at their own expense, investigate the assets and form their own assessment of the objects for sale. The submission of an offer implies that the interested party is fully aware of the legal and financial state of the objects for sale.
- In the event that the person to whom the assets of the company under liquidation are sold, is obligated to appear at the present Announcement and of his offer, as finally composed, then the guarantee, as above, is forfeited in favour of the tenderer and the creditor. The person to whom the assets of the company under liquidation are sold, is obligated to provide proof of such, or consider the amount as a penalty clause and collect it from the guarantee bank.
- The tenderer and the creditor bear no responsibility towards participants in the tender, both with regard to the report submitted when concerning the procedure and execution of the tender.
- Those parties taking part in the tender and submitting offers do not acquire any right, claim or demand from the present Announcement and from their participation in the tender, against the tenderer or the creditors for any cause or reason.
- Relative transactions are exempted from taxes, dues or state or third party rights or stamp duties, while the rights and interests of buyers, lessees, mortgagees and other creditors are restricted to 30%. Any expenses incurred in the sale of the assets (VAT, the fees of lawyers, notaries and mortgagees, judicial expenses, etc.) rights and other expenses are to be borne by the buyer, but will be provided.

In order to obtain the Offering Memorandum and for any additional information, please apply to the offices of the liquidator ETBA FINANCE Economic & Financial Services S.A., 1 Epanastolou & Vasil. Constantinou Str. (4th Floor) Athens Tel. (001) 7500276, (001) 7500278, (001) 7500288 and Fax (001) 7500284 (Ms. Nicos Stavrou and Mrs. Elina Antoniadou).

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Campbell's
shares fall
after warning

KPMG

Thomson Shepherd Carpets Limited In Administrative Receivership

The Joint Administrative Receivers offer for sale the business and assets of Thomson Shepherd Carpets Ltd, carpet manufacturers.

Principal features include:

- Blue chip customer base
- Extensive product range
- Leasehold premises based in Bolton, Lancashire
- High quality carpet tufting machinery
- Skilled and flexible workforce
- Currently manufacturing Sanderson 'brand' product
- Turnover of approximately £4 million

For further information contact: The Joint Administrative Receiver, Mike Seary at KPMG, St James' Square, Manchester M2 6DS. Telephone 0161 838 4000 or Fax 0161 838 4088.

KPMG Corporate Recovery

KPMG Corporate Recovery is a division of KPMG which is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

CANADIAN COMPANY FOR SALE

- Credit Card/Loyalty Marketing
- Annual Revenue - \$50 million
- 15-year track record
- Annual growth rate - 50 percent
- 24-Month forecast - \$100 million
- Private company - 80 Employees

Our goal - A global partner to facilitate growth. Serious inquiries only.

Reply to: Financial Times Box 8243, No. 1 Southwark Bridge, London, England, SE1 9HL.

BUSINESS OPPORTUNITIES

HUMBERTS LEISURE



Lord's Cricket Ground Hospitality facilities

- Available on one and two year licences
- Covering the period of the 1999 World Cup
- A total of only 14 facilities available

To let by tender

Full details available from:

Humberts Leisure

12 BOLTON STREET MAYFAIR LONDON W1J 7PA

TEL: 0171 639 6700 FAX: 0171 409 0475

e-mail: info@humberts-leisure.com

LISTED SHELL COMPANY

£3.25m Cash Available

Seeks Private Company with profits of circa £1m+ for Reverse Takeover. Full Board control available. Write to: Box 85096, Financial Times, One Southwark Bridge, London SE1 9HL.

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IMAGING, ORIENTATION / PREPRESS

- Extremely ambitious and energetic company based in Oxford and seeks investor to help further expansion.
- Firm & ambitious client base serving both the Publishing and Advertising sectors.
- Well equipped with a highly technical team.
- Opportunity for ambitious agency printer.
- Turnover £1-1.5 million.

PD Box 86230, Financial Times, One Southwark Bridge, London SE1 9HL.

FOOTBALL OPPORTUNITY

Well known Premier status semi-professional football club looking for an investor/partner.

Club offers superb facilities and would highly suit a company or individual looking to find an investment opportunity in the football and leisure industry.

As enquirers to this advert please to Box 86231, Financial Times, One Southwark Bridge, London SE1 9HL.

CONTRACTS & TENDERS

NOTICE

The Hungarian Development Bank Ltd (registered office: 31. Nádor u. H-1051 Budapest, Hungary)

hereby notifies those concerned that the

tender submission deadline of 15 January, 1999

stipulated in the Invitation to Tender for the lodging of bids for 95.25% of the shares of

Konzumbank Ltd

has been modified by it pursuant to its right set forth in Section 4. of Chapter VII. of the Invitation to Tender.

The new submission deadline is 15 February, 1999.

The other provisions of the Invitation to Tender remain unchanged. The Invitation to Tender may be obtained at the reception desk of the Hungarian Development Bank Ltd ("MFB Rt."). The Information Memorandum may be purchased upon preliminary notice by potential bidders between 4 and 29 January, 1999. Further information concerning the Invitation to Tender may be obtained from Dr Rudolf Petendi, Director (36-1-428-1576).

MFB Rt. Board of Directors

KPMG

Critical care business located within UK

The Joint Administrative Receivers offer for sale the business and assets of a respected and highly innovative medical instruments manufacturer and distributor with strong market presence both domestically and internationally.

Key strengths in neonatal and adult ICU and operating theatre.

Principal features include:

- UK manufacturing operation providing patient monitoring equipment
- Turnover in 1997/8 in excess of £14 million
- Product range includes:
 - Trakmon, combined modular and pre-configured monitoring systems
 - Pulse oximetry, Masimo
 - Transcutaneous blood gas (Microgas) and pre-configured monitoring (Minimor)
 - Elic/Kolomon modular patient monitoring systems
 - Revolutionary integrated clinical information systems, Karisma

■ Distribution for the unique Venturi patient ventilator for ITU

■ Established distribution networks in UK and overseas

■ Substantial stocks

■ Large installed base

For further information please contact: Stephen James or Paul Jeffery at KPMG, Aquis Court, 31 Fishpool Street, St Albans AL3 4RF. Telephone 01727 733014 or Fax 01727 733005.

KPMG Corporate Recovery

KPMG Corporate Recovery is a division of KPMG which is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

EXHIBITION MANAGEMENT AND DESIGN

PricewaterhouseCoopers Corporate Finance & Investment Banking Services has been retained to seek buyers for a well established exhibition management and design business.

Principal features of the business include:

- Highly cash generative with proven track record
- First class market reputation
- Seamless service for exhibitors and organisers
- International capabilities in a global market
- Blue chip customer base
- Excellent growth opportunities

For further information, please contact Mark Speller or Chris Tilbrook of PricewaterhouseCoopers Corporate Finance & Investment Banking Services, Plumtree Court, London, EC4A 4HT. Tel: 0171 213 1044 Fax: 0171 213 1330

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers refers to the UK firm of PricewaterhouseCoopers and is not a member of the worldwide PricewaterhouseCoopers organisation.

FOR SALE

Highly profitable well-established business

- Involved in Site Clearance, Soil Recycling (via waste transfer station) and Landfill
- Owners Residing
- Own Quarry
- Waste Management Licences

Contact Eric Jones Associates 01353 458132

RETIREMENT SALE

ENGRAVING ETCHING AND SIGN MANUFACTURING BUSINESS

Long established in the South East with the benefit of a retail outlet. Modern equipment and skilled staff. Turnover over £250K with excellent profits. Box 86236, Financial Times, One Southwark Bridge, London SE1 9HL.

COSMETICS AND TOILETRIES COMPANY

For outright sale or possible merger

- T/O £3.5 million.
- Major High Street multiples customer base with branded and Own Label product ranges.
- Valuable worldwide export sales. • No borrowings and minimal overheads.

POSITIVE CASHFLOW and enormous potential. Serious enquiries: The Chairman, Box 86234, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESS SERVICES

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- We will help you create new business opportunities by producing highly focused articles featuring your product or service for publication in leading trade and technical journals worldwide.
- Contact: John Barker MA, PLC Communications, 01425 530221 (Email: j.barker@plc.co.uk) Fax: 01425 530102
- Not Automotive.
- Current T/O 1.3M projecting 1999 T/O 1.8M.
- CNC & Conventional Machines.
- Catch disposal required.
- West Midlands.
- Would be ideally suited.
- Management Team & ISO 9002 Registered.
- Replies to Box 86235, Financial Times, One Southwark Bridge, London SE1 9HL.

CONTRACTS & TENDERS

INVITATION FOR EXPRESSIONS OF INTEREST IN THE FORM OF NON-BINDING OFFERS FOR THE PURCHASE OF 51% OF THE SHARES OF IONIAN & POPULAR BANK OF GREECE S.A.

Within the framework of Joint Ministerial Decision No 3480/12.1998 of the Ministers of National Economy, Finance and Development of the Republic of Greece, Commercial Bank of Greece S.A. (the Company) has authorised Morgan Guaranty Trust Company of New York (J.P. Morgan), in its capacity as exclusive financial advisor to the Company in connection with the sale of a 51% participation stake of the Company in the share capital of Ionian & Popular Bank of Greece S.A. (Ionian), to announce the Company's intention to sell the above stake in Ionian.

Ionian is a full service commercial bank located in Greece, the fourth largest full service bank in the Greek commercial banking market by total assets, the fifth largest by market capitalisation. Ionian, either directly or through its specialised subsidiaries (Ionian Mutual Funds, Ionian Investments, Ionian Leasing, Ionian Securities and Ionian Finance), operates in most areas of the financial services sector. As among commercial banks at year end 1997 Ionian had a 5.8% share of the Greek bank market, 8.2% of the deposit market and had issued approximately 6.9% of total VISA cards in the Greek market.

As of June 30, 1998 Ionian's distribution network included 222 branches in Greece, 270 ATMs, 15 "Smart Banker" and 2 overseas branches. Ionian also operates in some frontier non-banking areas through its subsidiaries Ionian Hotel Enterprises and Ionian Education.

The sale will be effected through an international two phase competitive bid process and according to prescribed procedures and timetables. In Phase I, interested parties are invited to apply to J.P. Morgan for an Information Memorandum with detailed information, which is and shall be treated as confidential, and for this reason the recipients shall be asked to sign a Confidentiality Agreement.

The Company shall deliver the confidential Information Memorandum to applicants who satisfy any of the following criteria:

- (a) they hold a currently valid banking licence in Greece or in another European Union member state or in a third country with equivalent supervisory requirements to those of the European Union for the lawful operation of banking institutions; or
- (b) they hold a current stake of at least 30% in financial institution holding a banking licence satisfying criterion (a) above; or
- (c) they are able to prove, to the satisfaction of the Company, through bank references from banks satisfying criterion (a) above, or by any other means acceptable to the Company, after consultation with the financial advisor, that the applicant is in a position to lawfully pay to full the purchase price for the 51% of the shares of Ionian.

A confidential Information Memorandum will be supplied to applicants who satisfy the above criteria, together with details of the procedure and timetable to be followed in Phase I.

The recipients of the Information Memorandum should note that the Phase I timetable calls for indicative non-binding offers to be submitted by email and/or fax by 5.00 p.m. London time on February 6, 1999 to the following address:

COMMERCIAL BANK OF GREECE S.A. c/o MORGAN GUARANTY TRUST COMPANY OF NEW YORK P.O. Box 161, 60 Victoria Embankment, London EC4Y 0LP, UK. Attention: Mr. Yannis Ekeles, Managing Director Fax: 0044171 325 8251

Such indication, non-binding, offers should include:

- (i) the value in Greek Drachmas, that the interested purchaser is prepared to pay for the 51% stake in Ionian, as described in the Information Memorandum;
- (ii) the principal assumptions on which the bid proposal is based;
- (iii) any additional significant information and the questions that would need to be answered in order to enable the interested purchaser to complete the preparation to make a definitive binding proposal;
- (iv) description of the sources and of the time of availability of the relevant funds to finance the payment of the purchase price;
- (v) any material conditions to which a definitive proposal would be subject, including any approvals required to secure financing as well as any necessary board or regulatory authorities approvals, together with an indication of the timetable for obtaining such approvals;
- (vi) the names of external advisers engaged, or anticipated to be engaged, on behalf of the interested purchaser, regarding the sale transaction; and
- (vii) confirmation that the interested purchaser is acting for its own account and not as a broker or agent of third parties.

Prior to Phase II, an indication will be published for the submission of final binding offers accompanied by bank letters of guarantee, unconditionally by the parties who participated in Phase I and submitted non-binding offers, within the scope of the applicable sale procedure. This indication will make available the timetable for and details pertaining to the completion of the sale and the procedure for submitting the final proposals.

Parties who did not participate in Phase I will not be eligible to participate in Phase II.

Applications for the Information Memorandum should be made to: MORGAN GUARANTY TRUST COMPANY OF NEW YORK P.O. Box 161, 60 Victoria Embankment, London EC4Y 0LP, UK. Attention: Mr. Yannis Ekeles, Managing Director Fax: 0044171 325 8251

COMMERCIAL BANK OF GREECE S.A.

Leading National Steel Stockholder

For Sale

- Highly profitable
- High level of value added processing
- 150,000 sq ft on freehold nine acre site - scope for significant expansion
- Additional 20,000 sq ft of processing facilities commencing 01.03.99
- 15,000 tonnes of high turnover stock
- Modern facilities and processing equipment
- Several regional sales offices
- Fleet of HGV vehicles

P.O. Box 86231, Financial Times, One Southwark Bridge, London SE1 9HL

Chatsworth Bathrooms Ltd

(In Administration)

Skelmersdale, Lancashire

Chatsworth Bathrooms Limited is an established manufacturer and supplier of luxury ceramic bathroomware and associated products.

- Annual turnover circa £2m
- Skilled workforce
- Extensive product range
- Gas fired furnace.

For further details please contact the Joint Administrators Roy Weisby and Andrew Mercies at Grant Thornton, Enterprise House, 115 Edmund Street, Birmingham B3 2HU. Tel: 0121 212 4000 Fax: 0121 233 8857.

Web Site: <http://www.grant-thornton.co.uk>

Grant Thornton



By Order of PANASONIC

Metallurgy Semiconductor Corporation of America

UNPRECEDENTED SALE

Unused 8" (25 Micron) Capability

Wafer Fabrication Equipment

All Equipment Manufactured in 1997 or 1998 &

Complete 6" Wafer Fabrication

Production Facility

Vast Inventory Available

Location: Puyallup (Near Seattle), Wash., USA

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Fax: ++1 (972) 238 7433

E-mail: info@hbutcher.com

<http://www.henry.butcher.com/masson>

London Office

Peter Budden

Tel: ++44 (0) 171 405 8411

Fax: ++44 (0) 171 405 8772

E-mail: peter.budden@hbutcher.com

<http://www.henry.butcher.com/masson>

Point of Sale

Offers are invited for the sale of the assets and business of a leading, well established P.O.S. and Display business.

Principal features of the business are:

- Established for nearly 50 years in the East Midlands
- Annual turnover approximately £1.8m
- Specialist in-house design and manufacturing facilities
- Extensive client list
- Modern 38,500 sq ft leasehold premises situated near to the motorway network

Box 86240, Financial Times, One Southwark Bridge, London SE1 9HL

For Sale

Fax & Copier Distributor T/O £3M

• Est. 7 Years Trading

• £200K Positive Cashflow

• High Quality Customer Base

• Fully Developed Website

• Excellent Reputation and Profile

• Major Growth Potential

• High Quality Vendor Base

• Excellent IT Systems

With reluctance sale must take place. Excellent Opportunity

Please apply to Box 86236

Financial Times, One Southwark Bridge, London SE1 9HL

For Sale

HIGHLY PROFITABLE ENGINEERING BUSINESS

Retirement sale of this well established company in the South of England, using state of the art equipment to manufacture special purpose machines and assemblies.

Net tangible assets exceed £0.5m, with sales over £2m

Please apply to Box 86218, Financial Times, One Southwark Bridge, London SE1 9HL

For Sale

CENTRAL AMERICA FOR SALE

Approximately 10,000 acres of Virgin Hardwood Forest and sawmill equipment

• Established over 10 years
- Turnover in excess of £1m
- Based Southern England
- To include modern freehold premises
- Vendor available on consultancy basis as required

Price Guide £3.25m

Apply Box 86238, Financial Times, One Southwark Bridge, London SE1 9HL

For Sale

HIGHLY PROFITABLE PLANT HIRE COMPANY INVESTMENT POTENTIAL

• Based to operate successfully without owner's presence
- Established over 10 years
- Turnover in excess of £1m
- Based Southern England
- To include modern freehold premises
- Vendor available on consultancy basis as required

Price Guide £3.25m

Apply Box 86238, Financial Times, One Southwark Bridge, London SE1 9HL

For Sale

Does your leasing company have a European network?

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EQUITIES

Wall Street and dollar offer no support

EUROPEAN OVERVIEW

By Vincent Boland

European stock markets closed lower yesterday after receiving no support from either US shares or the dollar, which bounced back a little from its lowest levels against the yen, but remained vulnerable to further selling pressure.

Bourses had begun

brightly enough, and there was more merger activity to maintain interest, but buyers withdrew in the afternoon and stocks generally fell by about 1.5 per cent in the main markets, although there were individual outliers and selective interest in defensive sectors.

This has been a theme of the first trading days of the euro, which has seen a concentration of activity in the

biggest companies across the euro-zone by defensive-minded investors, according to ABN AMRO.

"With earnings estimates under pressure around the world, investors have been searching out defensive sectors and stocks, hence the rotation into areas such as telecoms, pharmaceuticals and financials," the bank said in its latest strategy report on euro-zone markets.

"These are all characterised by stocks large enough to top the size range in most market indices."

The FTSE Eurotop 300 index of Europe's leading stocks fell 18.18 to 1,235.14 yesterday, while the FTSE Eurotop 100 index fell 46.11 to 2,862.92.

The FTSE Eblor index of the main stocks in euro-zone bourses closed 19.04 lower at 1,047.89.

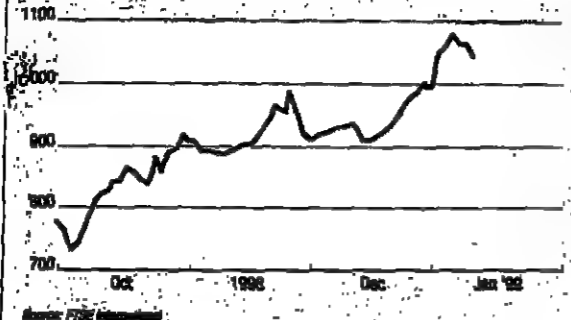
The outstanding performer was the tobacco sector, which rose 8.4 per cent after the takeover of Rothmans by BAT Industries. Richmond, the company that controls Rothmans, jumped 615.40 to 1,540.00, while BAT, which is paying \$5.88bn for the acquisition, rose 41.20 to 68.94.

Another sector to go against the predominantly downward trend was forest products, which climbed 3.8 per cent. SCA and UPM-Kymmene both added 60.70 to close at 419.90 and 225.82 respectively.

In a weaker auto sector, Volvo slumped amid disappointment that its talks with Fiat might not lead to a disposal of its car division. The Swedish group's A and B shares each fell 61.90 to end respectively at 223.49 and 223.98, while the Italian company was 60.10 lower at 63.14.

FTSE EURO 100

Index



Source: FTSE International

EUROPEAN STOCK FUTURES (LSE) Starting points of 100%

	Open	Sett	Change	High	Low	Est. vol	Open int
Mar	95.500	95.500	-0.010	95.500	95.500	180	6794
Jun	97.000	97.000	-0.010	97.000	97.000	230	9233
Sep	97.100	97.100	-0.010	97.100	97.100	180	9233
Dec	96.775	96.775	-0.010	96.775	96.775	3	886

EUROPEAN STOCK OPTIONS (LSE) Starting points of 100%

	Open	Sett	Change	High	Low	Est. vol	Open int
Mar	2887.0	2887.0	-0.010	2887.0	2887.0	20	6794

EUROPEAN STOCK INDEX OPTION (LSE) Starting points of 100%

	Open	Sett	Change	High	Low	Est. vol	Open int
Mar	2887.0	2887.0	-0.010	2887.0	2887.0	20	6794

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Mar	2887.0	2887.0	-0.010	2887.0	2887.0	20	6794

FTSE ACTUARIES SHARE INDICES

European series

	Open	Sett	Change	High	Low	Est. vol	Open int
Mar	2887.0	2887.0	-0.010	2887.0	2887.0	20	6794

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INTERNATIONAL CAPITAL MARKETS

US Treasuries drag Europe lower

BENCHMARK BONDS

By Arlsey Ostrowsky in London and Richard Waters in New York

The US Treasury market tumbled yesterday and dragged the European markets down as the dollar fell to its lowest against the Japanese yen in more than two years.

The dollar fell below ¥110, its lowest in 28 months, causing the 30-year US Treasury to drop more than 10 points in early trading. By early afternoon in New York, the dollar stood at ¥108.5, down from over ¥111 at the end of last week.

However, the rise in US bond yields in recent days has drawn some interest from European investors, helping the dollar to gain ground against the euro. The long bond's latest retreat, pushing the yield to 5.236 per cent, took the increase in yield so far this year to about 25 basis points.

With the US economy still growing at a healthy rate, defying expectations of a slowing-down, many investors are reported to be switching from bonds to equities.

Phyllis Reed at Barclays Capital said the yield gap between equities and bonds was widening and the real yield on 10-year US Treasuries was 100 basis points higher than the earnings yield on the S&P 500 index.

Investors are looking for a trigger to buy bonds, which are looking very cheap against equities," she said.

The 30-year bond lost more than 100 basis points in early trading, although it had recovered some of those losses by early afternoon and was trading at 99 1/2, a loss of 1/2 on the day.

Ten-year notes, meanwhile, fell 1/4 to 98 1/2, pushing the yield up to 4.903 per cent. Among shorter-dated issues, two-year notes were down 1/4 at 99 1/2, for a yield of 4.742 per cent.

David Knott at Deutsche Bank said that the sell-off in the US Treasury market had also been prompted by rising yields in the Japanese bond market, making JGBs more attractive for domestic investors.

The yield on the benchmark 10-year JGB rose by 8 basis points to 1.76 per cent, reflecting fears about over-supply of JGBs.

The shift downwards in JGB prices added to recent speculation that Japanese institutions were liquidating some of their holdings of US securities.

European government bond markets also lost some of last week's gains, which

Frankfurt to trade in electricity futures

By Vincent Boland

Deutsche Börse, operator of the Frankfurt stock exchange, is to begin trading electricity futures contracts this year and hopes to have an energy exchange in place by the end of 1999.

The board said yesterday the decision to begin trading electricity futures had been prompted by the rapid development of a spot market in electricity among German utilities, which have begun setting up their own electricity trading arms.

These moves are in response to the gradual liberalisation of Germany's electricity market, the largest in Europe. They also mirror similar developments in other European countries, and Deutsche Börse said the setting up of the energy exchange would "make an important contribution" to the opening up of the country's electricity market.

In the UK, a pool system is used to trade in electricity following the sector's privatisation, but the electricity regulator is also making arrangements for trading in futures and spot contracts.

Deutsche Börse said estimates had put the potential economic benefits of liberalising Germany's electricity market at "several billion euros" annually, mainly from cost reductions.

"Commercial customers will be the first to benefit from the price cuts, then to an increasing degree private customers," it added.

The creation of an electricity futures market is the latest development in the sector in Germany, where the new government is seeking to phase out the country's nuclear power industry.

Derivatives volumes up 10% in 1998

By Vincent Boland in London and Gwen Robinson in Sydney

The volume of futures and options contracts traded on the world's derivatives exchanges rose 10 per cent last year to 2.2bn as all the main markets except London's recorded impressive growth in business.

The biggest increase was recorded by Eurex, the German-Swiss exchange that succeeded the Deutsche Terminbörse and SoFFex. The volume of contracts traded on Eurex rose 61 per cent as it overtook the London International Financial Futures and Options Exchange to become the world's second biggest derivatives market.

Life slipped to fifth in the league of top markets as trading volume fell 7.2 per cent, according to data from Futures & OTC World magazine, which monitors the world's derivatives markets. The fall was mainly due to the London market's loss of business in German government bond (bund) futures contracts to Eurex.

Most of the fall in activity at Life was in the second half of the year, while its rivals recorded higher business. The 10-year Eurex bund futures contract is now the third most actively traded, after the Treasury bond future on the Chicago Board of Trade and the Eurodollar future on the Chicago Mercantile Exchange.

The CBOT remains the world's largest derivatives market and recorded an increase of nearly 17 per cent in trading volume last year. The CME and the Chicago Board Options

Exchange retained their third and fourth positions, respectively.

The biggest increase in trading volume occurred on Monex, the Paris options market, which recorded a rise of nearly 400 per cent in activity, mainly due to trading in contracts on the CAC 40 French equity market index, which transferred last year from Matif, the Paris derivatives market.

Meanwhile, trading volumes on the Sydney Futures Exchange rose 5.1 per cent in 1998, making it the largest futures exchange in the Asia-Pacific region for the second consecutive year. The exchange said yesterday volume across all futures and options rose to 29.8m contracts, for a nominal value of A\$10.500bn, the second highest in the SFE's 39-year history.

Les Hosking, chief executive, said the exchange had led its lead over the Singapore International Monetary Exchange (Simex), which traded 27.9m contracts, and the Tokyo International Financial Futures Exchange, with 21.7m contracts.

The increase was led by the SFE's 90-day bank bill contract, in which turnover rose 30.7 per cent, and the All Ordinaries Share Price Index, up 14.8 per cent. The two account for nearly 45 per cent of its futures and options turnover.

Falling commodities prices also increased demand for agricultural products.

Trading on the New Zealand Futures and Options Exchange, the SFE's wholly owned subsidiary, increased by 11.3 per cent to a record 1.34m contracts.

German bank raises €2bn

NEW ISSUES

By Klaus Wank

Hypothekbank in Essen, the German mortgage bank, yesterday offered a €2bn global pfandbrief bond, the only big issue on a day of low-volume activity. The brief respite came after a strong rate of issuance in the euro's first week. Bankers say high volumes should resume within days.

The Hypothekbank in Essen bond was targeted at investors outside Germany, unlike last week's €2.5bn pfandbrief bond by Allianz Hypothekbank, which was typically bought by domestic buyers.

Commerzbank, the joint lead arranger with Goldman Sachs, said between 80 and 90 per cent of its placement was bought by investors outside Germany, exceeding expectations.

"Non-German investors want longer maturities, espe-

cially as interest rates are likely to continue falling," said Alois Plan, syndicate manager at Commerzbank.

The 10-year bond was priced to yield 4.25 basis points over the relevant bund. Demand for long-term maturities is strong given the low-interest rate environment in the euro-zone.

This was underlined by the launch of a 15-year €1bn pfandbrief issue by Allianz Hypothekbank, which will be priced today.

Pfandbrief bonds are issued to refinance domestic lending for housing and public institutions and are secured by public-sector loans. They are highly rated and their issuance is forecast to grow as German mortgage banks refinance their lending business ahead of a forecast sharp rise in lending, especially to municipalities.

The jumbo pfandbrief market is the biggest bond segment in the euro-zone after Italian government bonds.

New international bond issues

Borrower	Amount (\$m)	Coupon (%)	Price	Maturity	Form	Book-runner
US DOLLARS						
Keybank National Assoc	300	(a)	100.00R	Jan 2004	0.15R	CSFB
Deutsche Bank Finance	150	4.125	98.01R	Jan 2001	0.125R	Deutsche Bank
World Bank	200	(b)	101.05	Feb 2000	2.00	Salomon International
Int Finance Corp	75	4.500a	100.00	Jan 2003	1.50R	Int'l Finance Japan
EURO CURRENCY						
Hypothekbank in Essen	200	4.88	98.50R	Jan 2000	0.225R	+4564(Land) Commerzbank
Hypothekbank in Essen	200	(c)	98.50R	May 2003	0.15R	+4564(Land) Commerzbank
Deutsche Bank Finance	200	4.625	98.20R	Feb 2000	0.25R	+100(Land) Salomon
Deutsche Bank Finance	200	3.50	98.80R	Jan 2004	0.25R	+3579(Land) Salomon
Deutsche Bank Finance	200	3.50	98.80R	Jan 2004	0.25R	+3579(Land) Salomon
Deutsche Bank Finance	200	3.50	98.80R	Jan 2004	0.25R	+3579(Land) Salomon
STERLING						
Tesco plc	150	5.125a	98.20R	Dec 2000	0.275R	+100(Pref) Morgan Stanley
Associated Capital Corp	150	(d)	98.20R	Jan 2004	0.20R	+100(Pref) Morgan Stanley
CANADIAN DOLLARS						
Deutsche Bank Finance	100	5.00	98.80R	Feb 2004	0.25R	+2951(Land) Salomon
AUSTRALIAN DOLLARS						
National Australia Bank	200	5.00	100.200R	Feb 2002	1.37R	TD Securities
Westpac Banking Corp	125	4.80R	99.50	Jan 2002	1.30R	Nomura International
Deutsche Bank Finance	100	5.00	97.750R	Feb 2004	0.25R	Deutsche Bank
NEW ZEALAND DOLLARS						
Deutsche Bank Finance	100	5.00	98.100R	Feb 2004	0.25R	Deutsche Bank

Physical terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. Warranted. 3 Floating-rate note. 5 Semi-annual coupon. R based on offer price. See notes at re-offer level. a) 3-month LIBOR + 1/4%. b) 3-month LIBOR + 1/2%. c) 3-month LIBOR + 1/4%. d) 3-month LIBOR + 1/2%. e) Spread relative to German government bonds. f) Long last coupon. g) Quarterly coupons. h) Short last coupon.

Retail investors were the targets for a three-tranche self-issued issue for Deutsche Bank in Canadian, New Zealand and Australian dollars.

Demand for such paper has grown due to a desire for portfolio diversification and a heavy redemption timetable in coming months, which will release funds for further investment.

The bonds were for C\$100m, NZ\$100m and A\$100m, each with a five-year maturity.

Since the launch of the euro there has been brisk issuance of paper in peripheral currencies, including the South African rand, the Greek drachma and the Norwegian krona.

Separately, Deutsche said

it had a \$150m bond of two-year maturity, priced to yield 4.25 basis points over two-year Treasuries.

The Philippines will next month market a euro-denominated bond of similar volume to the \$150m bond issued last week, the first by a south-east Asian sovereign since the Russian default in August.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Jan 11	Yield	Change	Jan 11	Yield	Change	Jan 11	Yield	Change	Jan 11	Yield	Change
Australia	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
France	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Germany	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Italy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Netherlands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Zealand	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Portugal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Spain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sweden	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Switzerland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
UK	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
US	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

BOND FUTURES AND OPTIONS

FRANCE

IN NATIONAL BOND FUTURES (MAY) C100.00

Open	High	Low	Settle	Open Int.
112.33	112.38	112.27	112.47	32,387

IN LONG TERM BOND FUTURES (MAY) C100.00

Open	High	Low	Settle	Open Int.
112.33	112.38	112.27	112.47	32,387

IN SHORT TERM BOND FUTURES (MAY) C100.00

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Open	High
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COMMODITIES & AGRICULTURE

Stockpile of timber grows in Europe

By Tim Burt in Stockholm

Commercial forestry in the European Union is facing a potential crisis in large areas of woodland following a sharp increase in cheap imports and a growing over-supply of timber.

The Finnish-based European Forest Institute, the EU's only pan-European forestry research agency, is warning that many of the region's forests are becoming more vulnerable to disease and environmental damage following a reduction in the annual harvest by forest owners.

New figures from the EFI suggest that, far from being over-exploited, Europe's commercial forests are growing faster than they can be economically harvested.

The institute - an umbrella group for national forestry research groups in the EU, Russia and the Baltic states - says the EU's forests are growing by 400,000 m³ a year, while the annual harvest has fallen to 313m cu m.

"The rate at which forests are growing is now 50 per cent higher than the cut," says Ian Hunter, director of the EFI. "It means forests are getting too dense and old to remain economic."

That view is echoed by Heinrich Spiecker, forestry

professor at Freiburg University in Germany. "The effect of this is a reduction of the general vigour of forests. Trees like this are very prone to attack by bark beetles and are easily broken by wind or wet snow."

The problem, says EFI researchers, partly reflects a five-fold increase in timber imports to the EU over the past 15 years, exacerbating the region's "timber mountain" and depressing selling prices for pulpwood - one of the main components for paper and board production.

Industry analysts predict that pulpwood prices could fall by 18 per cent as supply further exceeds demand.

Some of Europe's largest forestry products groups admit forest growth is outstripping demand in some areas, but suggest the potential crisis will be confined to pulpwood.

"The problem is mainly on the pulp side," says Olav Henriksen, director at UPM-Kymmene, which owns more than 1m hectares of forest in Finland, the UK and US. "If you can't get a decent price for your wood, you leave it."

Environmental organisations blame the industry. UK-based Friends of the Earth says forestry companies should reduce their harvests and encourage "old-growth" forests.

EU forests 'under serious threat'

Gaps in Finland's woodland are a symptom of a continental malaise, writes Tim Burt

Parts of the remote pine forests of North Karelia, one of Finland's most heavily wooded areas, are scarred where heavy snowfall and wind have uprooted a lightly packed trees.

The jagged timber is left where it fell, either too diseased or damaged to harvest. In nearby Joensuu, the regional capital and home to the European Forestry Institute, industry experts are warning that the ugly gaps are not a phenomenon confined to Finland's easternmost province - but a symptom of a malaise spreading across the continent.

The institute, whose membership includes most of Europe's national forestry research groups, believes commercial forests in the EU are facing a serious threat.

A growing surplus in EU timber, and a rise in imports from North America and the emerging markets of south-east Asia and Latin America, has persuaded many forest owners to reduce the annual harvest.

Ian Hunter, director of the EFI, says only 65 per cent of annual growth in EU commercial woodland is being cut.

"Every year, another 170m cubic metres could be cut to balance growth and harvest. Another 65 pulp mills could be established if the harvest

could be cut and aggregated economically," he says.

Mr Hunter and his colleagues believe the widening gap between growth and harvest rates could lead to a long-term deterioration in European forestry. In the worst case scenario, forests will become "sub-economic" as unharvested trees grow too old and densely packed.

"Forests become vulnerable to insect attack or wind damage; either way it will be a hell of a mess and depress prices for a long time," he adds.

The EFI, citing research by Norwegian and US forestry specialists, says pulpwood prices could decline as the timber surplus grows, while Europe's forest landscape could be impaired.

Its findings are likely to reopen a long-running debate over sustainable forestry, pitching industry groups against environmental organisations.

Many environmental groups, such as the UK's Friends of the Earth, lay the blame squarely at industry's door. Tony Juniper, policy and campaigns director at Friends of the Earth, says many of the companies reducing the harvest of European reserves are the same companies importing more timber from overseas.



He claims, moreover, that some companies have made things worse by stripping out naturally growing but less valuable trees. "In Finland, less than 2 per cent of the old growth forest is left," Mr Juniper adds.

Some forestry companies - including UPM-Kymmene of Finland and Sweden's AssiDomän - accuse the EFI of being overly pessimistic.

While admitting they are harvesting only about two-thirds of the annual forest growth, they say any commercial thinning - in which older trees are removed - should minimise the impact of a reduced cut.

They also point out that demand for both pulpwood and sawn timber is still growing. "We are seeing up to 1.5 per cent growth a year in the European market," says Michael Eliasson, director of business development at AssiDomän.

Potential production of European pulpwood, by comparison, is likely to grow by almost 25 per cent between 1994 and 2010, exacerbating existing surpluses.

Part of the problem, say EFI scientists, is that the timber growing season is getting longer. The growing season for individual species in Europe has grown by 15 days.

"Spring is coming five days earlier and autumn 10 days later, trees are growing faster and we don't know why," says Mr Hunter.

The challenge is to agree how to address the problem. The EFI, with some support from environmental groups, believes the commercial forest "canopy" needs to be broken up, making way for different species.

Given the costs involved, that is not something that many forestry companies are ready to contemplate.

SUGAR DUTCH UNLIKELY TO MEET EU QUOTA

European harvest hit by bad weather

By Paul Solman

Europe's sugar harvest has been hit by cold and wet weather that has hampered farmers' efforts to get the best crop in on time.

As the 1998-99 harvest - or "campaign" - draws to a close, latest estimates put total European Union sugar output at about 17.1m tonnes. That compares with last season's record of almost 19m tonnes.

"The impact of the harsh weather has been limited mainly to the Netherlands, Germany and Belgium, but the crops there have suffered quite markedly," said Neil Meader at ED&F Man Sugar Research. "The Dutch crop is unlikely to meet its EU quota."

Freezing weather has also damaged the beet's sugar content. "Although it would have to be very cold to trap the crop in the ground, the cold has frozen some of the beet in storage," said Mr Meader. "Defrosted beet is pretty much worthless."

Dutch sugar output is estimated at 330,000 tonnes against last season's figure of more than 1m tonnes.

Belgian and German sugar producers have also been delayed by freezing temperatures. Elsewhere, the campaign has faced muddy conditions and flooding.

"Farmers have been unable to get machinery into the fields and collect the beet when its sugar content is at its peak," said Tony Hannah, chief economist at the International Sugar Organisation.

Overall European sugar production is expected to be in line with an average year. "Europe's harvest will certainly be smaller than last year's, but that was excep-

tionally good," said Chris Pack, chief analyst at C. Czarnikow.

The beet campaign, which starts in September, is usually over by January in most of Europe, although it tends to end later in the UK because of the more temperate climate. Britain's campaign should be over by February - it went on until March last season.

"There have been some difficulties with fields becoming waterlogged, but the wet spells have been interspersed with dry periods that have allowed the harvest to keep going," said Geoff Lancaster of British Sugar, the UK's sole sugar beet processor.

"We certainly don't seem to have suffered in the same way as some of the other countries," he said.

The EU's beet crop accounted for about half the world's beet sugar output in 1997-98 and 16 per cent of global sugar production.

However, the lower harvest this season is unlikely to affect white sugar prices. The benchmark futures contract remains depressed on the London International Financial Futures and Options Exchange, though above mid-October's 10-year low of \$21.5 a tonne.

"The very good cane crop in Brazil means the world's white sugar balance shouldn't be affected," said Mr Hannah. "The forecast is still for oversupply."

Global sugar supply has outstripped consumption since 1980-81 and most estimates put the 1998-99 balance at a surplus of 2m-3m tonnes, although the US Department of Agriculture surprised the market in November by forecasting a supply deficit of 1m tonnes.

LME steps in to prevent aluminium squeeze

MARKETS REPORT

By William O'Connor and Robert Gordon

The London Metal Exchange stepped into the aluminium market yesterday to prevent a severe supply squeeze threatening to distort the

market later this month. In its first public intervention since publication of its "market aberrations" paper last year, the exchange imposed a limit of \$1 a tonne on the premium payable for rolling a contract forward for a day. This limit will be reviewed on February 26.

Traders describe the looming supply squeeze as the latest skirmish between some big market participants. Some say the LME is protecting those who have sold metal short. Premiums for immediate delivery evaporated yesterday after the exchange's intervention.

Base metal prices remained generally firm, but there was little reaction to the announcement of a production stoppage at the Bingham Canyon smelter, which is owned by Kennecott Utah Copper - a Rio Tinto subsidiary. Copper stocks are high.

Meanwhile, crude oil prices rose sharply amid rising tension in the Gulf and colder weather in the US. The benchmark Brent Blend futures contract for February delivery was \$22.22 a barrel in late trading on London's International Petroleum Exchange, up 40

cents on Friday's close. The last time front month Brent traded above \$22 a barrel was last November. The markets were also buoyed by predictions that weekly data on US oil inventories, due out late last night, would show further falls.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(prices from Associated Metal Trading)

in ALUMINIUM, 100 TONNES (5 per tonne)

in CUPPER, 100 TONNES (5 per tonne)

in ZINC, 100 TONNES (5 per tonne)

in LEAD, 100 TONNES (5 per tonne)

in NICKEL, 100 TONNES (5 per tonne)

in COBALT, 100 TONNES (5 per tonne)

in MANGANESE, 100 TONNES (5 per tonne)

in SODIUM, 100 TONNES (5 per tonne)

in POTASSIUM, 100 TONNES (5 per tonne)

in AMMONIUM, 100 TONNES (5 per tonne)

in CALCIUM, 100 TONNES (5 per tonne)

in MAGNESIUM, 100 TONNES (5 per tonne)

in BARIUM, 100 TONNES (5 per tonne)

in STRONTIUM, 100 TONNES (5 per tonne)

in RUTHENIUM, 100 TONNES (5 per tonne)

in RHODIUM, 100 TONNES (5 per tonne)

in PALLADIUM, 100 TONNES (5 per tonne)

in OSMIUM, 100 TONNES (5 per tonne)

in IRIUM, 100 TONNES (5 per tonne)

in PLATINUM, 100 TONNES (5 per tonne)

in GOLD, 100 TONNES (5 per tonne)

in SILVER, 100 TONNES (5 per tonne)

in COPPER, 100 TONNES (5 per tonne)

in ZINC, 100 TONNES (5 per tonne)

in LEAD, 100 TONNES (5 per tonne)

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in CALCIUM, 100 TONNES (5 per tonne)

in MAGNESIUM, 100 TONNES (5 per tonne)

in BARIUM, 100 TONNES (5 per tonne)

PRECIOUS METALS

LONDON METAL EXCHANGE

(prices from Associated Metal Trading)

in ALUMINIUM, 100 TONNES (5 per tonne)

in CUPPER, 100 TONNES (5 per tonne)

in ZINC, 100 TONNES (5 per tonne)

in LEAD, 100 TONNES (5 per tonne)

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in NICKEL, 100 TONNES (5 per tonne)

in COBALT, 100 TONNES (5 per tonne)

in MANGANESE, 100 TONNES (5 per tonne)

in SODIUM, 100 TONNES (5 per tonne)

in POTASSIUM, 100 TONNES (5 per tonne)

in AMMONIUM, 100 TONNES (5 per tonne)

in CALCIUM, 100 TONNES (5 per tonne)

in MAGNESIUM, 100 TONNES (5 per tonne)

in BARIUM, 100 TONNES (5 per tonne)

GRAINS AND OIL SEEDS

LONDON METAL EXCHANGE

(prices from Associated Metal Trading)

in ALUMINIUM, 100 TONNES (5 per tonne)

in CUPPER, 100 TONNES (5 per tonne)

in ZINC, 100 TONNES (5 per tonne)

in LEAD, 100 TONNES (5 per tonne)

in NICKEL, 100 TONNES (5 per tonne)

in COBALT, 100 TONNES (5 per tonne)

in MANGANESE, 100 TONNES (5 per tonne)

in SODIUM, 100 TONNES (5 per tonne)

in POTASSIUM, 100 TONNES (5 per tonne)

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in MAGNESIUM, 100 TONNES (5 per tonne)

in BARIUM, 100 TONNES (5 per tonne)

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in PLATINUM, 100 TONNES (5 per tonne)

in GOLD, 100 TONNES (5 per tonne)

in SILVER, 100 TONNES (5 per tonne)

in COPPER, 100 TONNES (5 per tonne)

in ZINC, 100 TONNES (5 per tonne)

in LEAD, 100 TONNES (5 per tonne)

Onshore Fuels and Insurance

هكذا من اللاحق

Campbell Soup shares fall 12^{1/2}% after warning

Tembec buys Canadian pulp group in C\$70m deal

~~Wat. Mart~~ appointment

WAVELENGTHS

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

BANKS, RETAIL

Company	Price
Barclays	10.00
Bank of Scotland	10.00
Bank of Ireland	10.00
Bank of London	10.00
Bank of Montreal	10.00
Bank of New York	10.00
Bank of Paris	10.00
Bank of Spain	10.00
Bank of Sweden	10.00
Bank of Tokyo	10.00
Bank of West	10.00
Bank of America	10.00
Bank of China	10.00
Bank of India	10.00
Bank of Japan	10.00
Bank of Korea	10.00
Bank of Russia	10.00
Bank of South Africa	10.00
Bank of Thailand	10.00
Bank of Vietnam	10.00
Bank of Yugoslavia	10.00
Bank of Zimbabwe	10.00

BREWERIES, PUBS & REST

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

BUILDING MATS. & MERCHANTS

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

CHEMICALS

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

CONSTRUCTION

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

CONSTRUCTION - Continued

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

DISTRIBUTORS

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

DIVERSIFIED INDUSTRIALS

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

ELECTRICITY

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

ELECTRONIC & ELECTRICAL EQUIP

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

ENGINEERING

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

ENGINEERING - Continued

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

FOOD PRODUCERS

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

FOOD PRODUCERS - Continued

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

GAS DISTRIBUTION

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

HEALTH CARE

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

HOUSEHOLD GOODS & TEXT

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

INSURANCE - Continued

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

INVESTMENT TRUSTS

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

INVESTMENT TRUSTS - Continued

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

INV TRUSTS SPLIT CAPITAL

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

EXTRACTIVE INDUSTRIES

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

ENGINEERING, VEHICLES

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

INSURANCE

Company	Price
Adnoca	10.00
Beck's	10.00
Brewery	10.00
Carlsberg	10.00
Heineken	10.00
Interbrew	10.00
Kaiser	10.00
Miller	10.00
Orkla	10.00
Reckitt	10.00
Stout	10.00
Tennent	10.00
Watson	10.00

Financial Times Surveys

The New North West of England

Thursday March 18

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email: haj.haffeejee@FT.com

FINANCIAL TIMES
No FT. no comment.

STUDY OF THE THERMAL STABILITY OF

For more information on FT Cytidine, please visit our web site: <http://www.ft.com>. Where prices printed on these pages.

ISSUED BY CHARLES SCHWAB EUROPE, WHICH IS A MEMBER FIRM OF THE LONDON STOCK EXCHANGE AND LIFFE,
AN INLAND REVENUE APPROVED PLAN MANAGER AND IS REGULATED BY THE SECURITIES AND FUTURES AUTHORITY.

Figure 1. The effect of the concentration of the *Agaricus bisporus* spores on the growth of *Agaricus bisporus* on the substrate. The concentration of the spores was 10⁴ (□), 10⁵ (○), 10⁶ (△), 10⁷ (◇) and 10⁸ (×) spores/g substrate. The substrate was a mixture of 100 g of straw and 100 g of manure. The substrate was incubated at 25 °C for 7 days. The growth of the fungus was measured as the diameter of the mycelium (mm) after 7 days of incubation. The data were analyzed by ANOVA and the means were compared by the Tukey test. The results are shown as the mean ± SD. The significance level was p < 0.05.

EURO PRICES

EQUITIES

Wall Street and dollar offer no support

EUROPEAN OVERVIEW

By Vincent Boland

European stock markets closed lower yesterday after receiving no support from either US shares or the dollar, which bounced back a little from its lowest levels against the yen, but remained vulnerable to further selling pressure.

Bourses had begun

brightly enough, and there was more merger activity to maintain interest, but buyers withdrew in the afternoon and stocks generally fell by about 1.5 per cent in the main markets, although there were individual outperformers and selective interest in defensive sectors.

This has been a theme of the first trading days of the euro, which has seen a concentration of activity in the

biggest companies across the euro-zone by defensive-minded investors, according to ABN Amro.

"With earnings estimates under pressure around the world, investors have been searching out defensive sectors and stocks, hence the rotation into areas such as telecoms, pharmaceuticals and financials," the bank said in its latest strategy report on euro-zone markets.

"These are all characterised by stocks large enough to top the size range in most market indices."

The FTSE Eurotop 300 index of Europe's leading stocks fell 18.18 to 1,235.14 yesterday, while the FTSE Eurotop 100 index fell 46.11 to 2,862.92.

The FTSE Eblor index of the main stocks in euro-zone bourses closed 19.04 lower at 1,047.89.

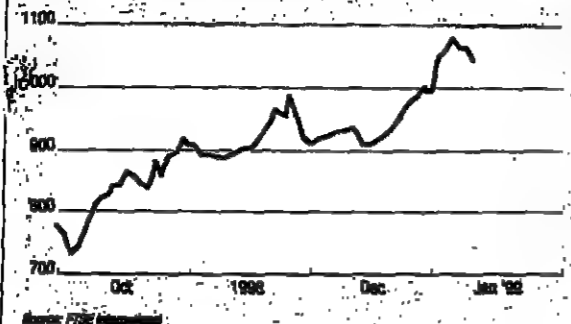
The outstanding performer was the tobacco sector, which rose 8.4 per cent after the takeover of Rothmans by BAT Industries. Richmond, the company that controls Rothmans, jumped 615.40 to 1,540.00, while BAT, which is paying \$5.88bn for the acquisition, rose 41.20 to 68.94.

Another sector to go against the predominantly downward trend was forest products, which climbed 3.8 per cent. SCA and UPM-Kymmene both added 60.70 to close at 419.90 and 225.82 respectively.

In a weaker auto sector, Volvo slumped amid disappointment that its talks with Fiat might not lead to a disposal of its car division. The Swedish group's A and B shares each fell 61.90 to end respectively at 223.49 and 223.98, while the Italian company was 60.10 lower at 63.14.

FTSE EURO 100

Index



Source: FTSE International

EU THREE MONTH EURO FUTURES (LFF) Expiry points of 100%

	Open	Settle	Change	High	Low	Est. vol	Open int
Mar	95.500	95.500	-0.010	95.500	95.500	180	6794
Jun	97.000	97.000	-0.010	97.000	97.000	230	5233
Sep	97.100	97.100	-0.005	97.100	97.100	180	5233
Dec	96.775	96.775	-0.005	96.775	96.775	8	686

EU THREE MONTH EURO OPTIONS (LFF) Expiry points of 100%

	Open	Settle	Change	High	Low	Est. vol	Open int
Mar	2887.0	2887.0	-0.0	2887.0	2887.0	20	5764

EU THREE MONTH EURO OPTIONS (LFF) Expiry points of 100%

	Open	Settle	Change	High	Low	Est. vol	Open int
Mar	2887.0	2887.0	-0.0	2887.0	2887.0	20	5764

EU THREE MONTH EURO OPTIONS (LFF) Expiry points of 100%

	Open	Settle	Change	High	Low	Est. vol	Open int
Mar	2887.0	2887.0	-0.0	2887.0	2887.0	20	5764

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FTSE ACTUARIES SHARE INDICES

European series

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TRANSPORT											
Open	1.00	-	3.5	4.0	.	Actual	14.00	-2	3.7	0.3	2.5
Settle	10.02	-	10.6	3.5	4.5	DMA	10.13	-2	10.7	1.0	2.0

NEW YORK STOCK EXCHANGE PRICES

[illegible]

WORLD MARKETS AT A GLANCE																																
Country	Index	Jan 11	Jan 8	Jan 7	1999/00 High	1999/00 Low	% Yrld	% P/E	Country	Index	Jan 11	Jan 8	Jan 7	1999/00 High	1999/00 Low	% Yrld	% P/E	Country	Index	Jan 11	Jan 8	Jan 7	1999/00 High	1999/00 Low	% Yrld	% P/E						
Argentina	General	16915.10	17356.69	17605.00	23468.55	2324.06	1220.10	10.998	4.05	12	Bangladesh	Dacca	864.85	854.09	873.02	889.35	724.09	37.65	21.959	na	na	Portugal	BSA 30	5134.59	5177.48	5191.09	6078.08	2249.08	359.88	21.959	1.85	28.6
Armenia	Armenia	204.64	205.53	209.53	209.70	21.69	248.20	14.958	3.39	22	Brazil	FTSE	1027.38	1027.38	1027.38	1027.38	2249.08	141.41	21.959	na	na	Portugal	FTSE 20	1182.93	1182.93	1182.93	1459.08	2249.08	141.41	21.959	na	na
Australia	ASX All Ordinaries	5944.6	5953.3	5957.3	5957.3	21.69	248.20	14.958	3.39	22	Brazil	FTSE 20	1182.93	1182.93	1182.93	1027.38	2249.08	141.41	21.959	na	na	Portugal	FTSE 20	1182.93	1182.93	1182.93	1459.08	2249.08	141.41	21.959	na	na
Austria	Vienna Stock Index	1137.33	1141.50	1142.11	1142.11	21.69	248.20	14.958	3.39	22	Brazil	FTSE 20	1182.93	1182.93	1182.93	1027.38	2249.08	141.41	21.959	na	na	Portugal	FTSE 20	1182.93	1182.93	1182.93	1459.08	2249.08	141.41	21.959	na	na
Belgium	Brussels Stock Exchange	3542.30	3573.90	3593.90	3593.90	21.69	248.20	14.958	3.39	22	Brazil	FTSE 20	1182.93	1182.93	1182.93	1027.38	2249.08	141.41	21.959	na	na	Portugal	FTSE 20	1182.93	1182.93	1182.93	1459.08	2249.08	141.41	21.959	na	na
Bolivia	Bolivia Stock Exchange	1137.33	1141.50	1142.11	1142.11	21.69	248.20	14.958	3.39	22	Brazil	FTSE 20	1182.93	1182.93	1182.93	1027.38	2249.08	141.41	21.959	na	na	Portugal	FTSE 20	1182.93	1182.93	1182.93	1459.08	2249.08	141.41	21.959	na	na
Bosnia	Bosnia Stock Exchange	1137.33	1141.50	1142.11	1142.11	21.69	248.20	14.958	3.39	22	Brazil	FTSE 20	1182.93	1182.93	1182.93	1027.38	2249.08	141.41	21.959	na	na	Portugal	FTSE 20	1182.93	1182.93	1182.93	1459.08	2249.08	141.41	21.959	na	na
Brazil	Brazil Stock Exchange	1137.33	1141.50	1142.11	1142.11	21.69	248.20	14.958	3.39	22	Brazil	FTSE 20	1182.93	1182.93	1182.93	1027.38	2249.08	141.41	21.959	na	na	Portugal	FTSE 20	1182.93	1182.93	1182.93	1459.08	2249.08	141.41	21.959	na	na
Bulgaria	Bulgaria Stock Exchange	1137.33	1141.50	1142.11	1142.11	21.69	248.20	14.958	3.39	22	Brazil	FTSE 20	1182.93	1182.93	1182.93	1027.38	2249.08	141.41	21.959	na	na	Portugal	FTSE 20	1182.93	1182.93	1182.93	1459.08	2249.08	141.41	21.959	na	na
Canada	TSX 300	1137.33	1141.50	1142.11	1142.11	21.69	248.20	14.958	3.39	22	Brazil	FTSE 20	1182.93	1182.93	1182.93	1027.38	2249.08	141.41	21.959	na	na	Portugal	FTSE 20	1182.93	1182.93	1182.93	1459.08	2249.08	141.41	21.959	na	na
Chile	Santiago Stock Exchange	1137.33	1141.50	1142.11	1142.11	21.69	248.20	14.958	3.39	22	Brazil	FTSE 20	1182.93	1182.93	1182.93	1027.38	2249.08	141.41	21.959	na	na	Portugal	FTSE 20	1182.93	1182.93	1182.93	1459.08	2249.08	141.41	21.		

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